

**EFFECTS OF PROFITABILITY, LIQUIDITY, CAPITAL STRUCTURE, AND
EFFECTS OF COVID-19 ON FIRM VALUE WITH DIVIDEND POLICY AS
INTERVENING VARIABLES**

**(Case Study of Companies Listed on the Indonesia Stock Exchange for the
2018-2021 Period)**

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Abstract

This study aims to determine the effect of Profitability, Liquidity, Capital Structure, and the Covid-19 Pandemic on Firm Value with Dividend Policy as an Intervening Variable. This study used secondary data from 72 companies. It was selected using the sampling method to produce a sample of 20 Food and Beverage companies listed on the Indonesia Stock Exchange for 2018-2021. The research data analysis method uses SPSS v.26 software. The results of this study are that profitability, liquidity, and dividend policy significantly affect firm value. Meanwhile, the indirect effect of liquidity significantly affects financial performance (intervening variable). From the calculation of the Sobel test, it is found that the dividend policy can mediate from liquidity to firm value.

Keywords: Return on Assets, Current Ratio, Debt to Equity Ratio, Firm Value, Dividend Policy

1. INTRODUCTION

Company *Food and Baverage* is a manufacturing company engaged in the industry that processes raw materials into semi-finished goods or finished goods. In Indonesia the company *Food and Baverage* growing rapidly, this can be seen from the number of companies listed on the Indonesian Stock Exchange. Performance achievements have consistently been positive, starting from their role in employment, increased productivity, investment and exports abroad. In setting up a company, it takes a lot of capital to make the company progress. Therefore the company must be able to attract investors to invest part of their income so that the company can develop. Investors cannot be careless in choosing which company to invest in. One of the indicators considered is the value of the company.

High corporate value is one of the desires of shareholders and company owners because this indicates high shareholder prosperity (Widayanti & Yadnya, 2020). Optimizing the value of the company which is the company's goal can be achieved through the implementation of the financial management function, where every financial decision taken will affect other financial decisions. Firm value can be influenced by the size of the profitability generated by the company. Profitability is the extent to which a company generates profits from company sales and investments (Wijaya, 2021).

Another factor that affects the value of the company is liquidity. Liquidity is the ability of a company to fulfill its financial obligations in the short term or which will be paid immediately (Dewi et al., 2020). A high level of liquidity will indicate a good company position in the eyes of creditors because the company is considered able to fulfill its obligations to creditors on time. One of the financial decisions that can be made is capital

structure. Capital structure is a comparison or balance of a company's long-term funding as shown by a comparison of long-term debt to equity (Sari, 2020).

The condition of the Covid-19 pandemic which is endemic to almost all over the world has had an impact on the economy in various countries including Indonesia. With the Covid-19 pandemic, the economy in Indonesia has experienced a decline in the capital market, buying shares and company finance, especially on the Indonesian Stock Exchange for sub-sector companies *Food and Beverage*. The existence of these different interests often makes it difficult for companies to achieve their goals in increasing company value. *Dividend Payout Ratio* which can determine the amount of dividends per share (Sumarsan, 2021). Dividend policy is a policy implemented by the company in determining whether the profit earned will be distributed to shareholders or will be retained as company profit. Companies that have high profits will usually also provide high dividends (Sumarsan, 2021).

Previous research conducted by (Bintara, 2018) found that the results of the research show that profitability has a significant effect on firm value, growth opportunities have no effect on firm value, and capital structure has an effect on firm value. Research conducted by (Oktavia & Fitria, 2019) found that the research results showed profitability, growth opportunities, capital structure had a significant effect on company value. Research conducted by Firmansyah (2019) found that the variables leverage, liquidity, independent commissioners and company size and the role of dividend policy are not significant to company value. Research conducted by (Prayitno et al., 2022) found the results of the study that the variables of liquidity and company size did not affect firm value, while the profitability variable had an effect on firm value. Based on the results of the research that has been done, there are differences in the results obtained, the researchers aim to review it under the title "The Influence of Profitability, Liquidity, Capital Structure and Effects of Covid-19 on Firm Value with Dividend Policy as an Intervening Variable."

2. RESEARCH METHODS

3.1 Population and Sample

The type of research that will be carried out by researchers is quantitative research and the data that will be used by researchers to analyze the problems in this study are secondary data (Sugiyono, 2019). The data in this study is an annual report (annual report) obtained through the website of the Indonesia Stock Exchange (IDX), namely www.idx.co.id as well as the website of each company that became the research sample (Sugiyono, 2015). The population in this study are companies listed on the Indonesia Stock Exchange (IDX) in a row for the 2018-2021 period using the *Purposive Sampling* with the following criteria (Jonathan Sarwono, 2016):

1. Subsector companies *food and beverage* listed on the Indonesian Stock Exchange (IDX) in a row for the 2018-2021 period.
2. Subsector companies *food and beverage* who are not listed on IDX during the 2018-2021 observation period.
3. Subsector companies *food and beverage* who did not provide financial reports during the 2018-2021 observation period.
4. Subsector companies *food and beverage* who did not pay dividends during the 2018-2021 observation period.
5. Subsector companies *food and beverage* those who do not use rupiah during the 2018-2021 observation period.

This study uses the following measurements for each variable:

Table 1 Variable measurement

Variable	Indicator
Profitability	$LENGTH = \frac{Net\ profit}{Total\ Asset}$
Liquidity	$CR = \frac{Liquid\ Assets}{Short - term\ liabilities}$
Capital Structure	$THE = \frac{Total\ Amount\ of\ debt}{Total\ Equity}$
Effects of Covid-19	Dummy
The value of the company	$PBV = \frac{Market\ Price\ Per\ Share}{Book\ Value\ Per\ Share}$
Dividend Policy	$DPR = \frac{Dividend\ Per\ Share}{Earning\ Per\ Share}$

3. RESEARCH RESULT

4.1 Descriptive Statistical Analysis

Table 2 Descriptive statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
PROFITABILITY	70	,0090	,2229	,087470	,0484501
LIQUIDITY	70	,0020	8,0505	2,825306	1,7593137
CAPITAL STRUCTURE	70	,1481	2,1142	,693700	,4582934
THE COVID-19 PANDEMIC	70	0	1	,49	,503
THE VALUE OF THE COMPANY	70	,0338	6,8574	2,503430	1,7436162
DIVIDEND POLICY	70	,0023	2,5161	,423734	,3722382
Valid N (listwise)	70				

Source: SPSS Output, 2023

In table 2 the descriptive statistics show that the profitability variable has a minimum value of 0.0090, a maximum value of 0.2229, an average value of 0.087470 and a standard deviation of 0.484501. The liquidity variable has a minimum value of 0.0020, a maximum value of 8.0505, an average value of 2.825306 and a standard deviation of 1.7593137. Furthermore, the capital structure variable has a minimum value of 0.1481, a maximum value of 2.1142, an average value of 0.693700 and a standard deviation of 0.4582934. Then the Covid-19 pandemic variable has a minimum value of 0, a maximum value of 1, an average value of 0.49 and a standard deviation of 0.503. While the dependent variable of this research is the value of the company which has a minimum value of 0.0338, a maximum value of 6.8574, an average value of 2.503430 and a standard deviation of 1.7436162. Then the intervening variable of this study is the dividend policy which has a minimum value of 0.0023, a maximum value of 2.5161, an average value of 0.423734 and a standard deviation of 0.3722382.

4.2 Classic assumption test

4.2.1 Test the Classical Assumptions of the First Regression Model

Table 3. Results of the Classical Assumption Test of the Regression Model I

Classic assumption test					
Variable	Normality Test	Multicollinearity Test		Heteroskedasticity Test	Autocorrelation Test
	Say. 2-tailed	Tolerance	VIF	Say	DW
Profitability	0,200	0,724	1,382	0,850	1,591
Liquidity		0,492	2,035	0,107	
Capital Structure		0,544	1,838	0,124	
Covid-19 Pandemic		0,965	1,036	0,617	

Source: SPSS Output, 2023

Table 4. Results of the Classical Assumption Test of the Regression Model II

Classic assumption test					
Variable	Normality Test	Multicollinearity Test		Heteroskedasticity Test	Autocorrelation Test
	Say. 2-tailed	Tolerance	VIF	Say	DW
Profitability	0,200	0,723	1,383	0,901	1,445
Liquidity		0,417	2,401	0,259	
Capital Structure		0,526	1,902	0,827	
Covid-19 Pandemic		0,953	1,050	0,972	
Dividend Policy		0,810	1,234	0,821	

Source: SPSS Output, 2023

Based on tables 3 and 4 the normality test can be concluded to be normal because the Asymp Sig value. (2-tailed) > 0.005. The multicollinearity test can be concluded as normal because the tolerance value is > 0.10 and the VIF value is <10. The heteroscedasticity test can be concluded as normal because it uses the Spearman's rho test where the value of Sig. (2-tailed) > 0.05. Then the autocorrelation test is concluded to be normal because the Durbin-Watson value $-2 < DW < 2$.

4.2.2 Regression Model Hypothesis Test

Table 5. Regression Model Hypothesis Test I

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-,049	,184		-,264	,793
	PROFITABILITY	-,221	1,008	-,029	-,219	,827
	LIQUIDITY	,115	,034	,545	3,420	,001
	CAPITAL STRUCTURE	,185	,123	,228	1,508	,136
	THE COVID-19 PANDEMIC	,077	,084	,104	,918	,362

a. Dependent Variable: DIVIDEND POLICY

Source: SPSS Output, 2023

Table 6. Regression Model Hypothesis Test II

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,355	,776		1,746	,086
	PROFITABILITY	22,437	4,249	,623	5,281	,000
	LIQUIDITY	-,410	,154	-,413	-2,658	,010
	CAPITAL STRUCTURE	-,249	,527	-,065	-,472	,639
	THE COVID-19 PANDEMIC	-,101	,356	-,029	-,284	,777
	DIVIDEND POLICY	1,333	,522	,285	2,551	,013

a. Dependent Variable: COMPANY VALUE

Source: SPSS Output, 2023

Multilevel linear regression analysis of the regression model equation I:

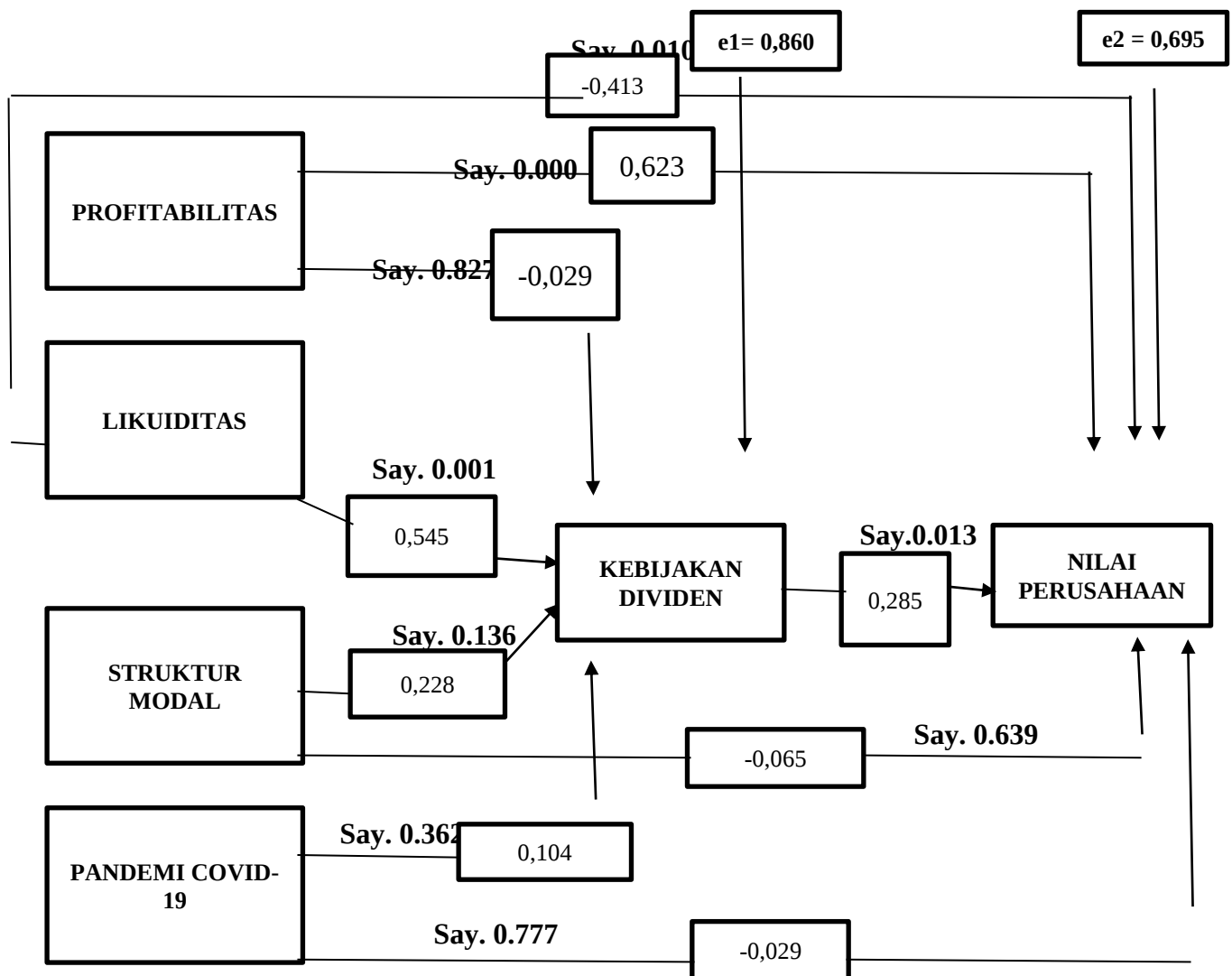
$$Y = (-0.049) + (-0.221)_{\text{LONG}} + 0,115_{\text{CR}} + 0,185_{\text{THE}} + 0,077_{\text{DUMMY}}$$

Multilevel Linear Regression Analysis from equation II regression model:

$$Y = 1,355 + 22,437_{\text{LONG}} + (-0,410_{\text{CR}}) + (-0,249_{\text{THE}}) + (-0,101_{\text{DUMMY}}) + 1,333_{\text{THE}}$$

Based on table 5, the first regression model can be seen that liquidity has an effect on the intervening variable, namely the dividend policy with a sig value below 0.05. While table 6 of the second regression model it can be seen that profitability, liquidity and dividend policy affect the dependent variable, namely firm value with a sig value below 0.05. As for the determinant coefficient test in table 5 it can be seen that the value of Adjusted R Square is 0.108 or 14% which indicates that there is a simultaneous effect between X1, X2, X3, X4 on Z of 14% and the remaining 86% is influenced by other variables, while in table 6 it can be seen that the value of Adjusted R Square 0.470 or 47% which indicates that there is a simultaneous effect between X1, X2, X3, X4, X4 and Z on Y of 30.5% and the remaining 69.5% is influenced by other variables.

4.2.3 Path Analysis Diagrams



Results of Interpretation of Path Analysis

1. Effect of profitability through dividend policy on firm value

It is known that the direct effect given to profitability on firm value is 0.623. Meanwhile, the indirect effect of profitability through dividend policy on firm value is the multiplication of the beta value (profitability on dividend policy) and the beta value (dividend policy on firm value) which is $-0.029 \times 0.285 = -0.0082$.

Based on the above calculation, it is known that the direct effect is 0.623 and the indirect effect is -0.0082, which means that the indirect effect is smaller than the direct effect. Therefore, it can be concluded that indirectly profitability through dividend policy has no significant effect on firm value.

2. Effect of liquidity through dividend policy on firm value

It is known that the direct effect given by liquidity on firm value is (-0.413). Meanwhile, the indirect effect of liquidity through dividend policy on firm value is the multiplication of the beta value (liquidity to dividend policy) and the beta value (dividend policy to company value) which is $0.545 \times 0.285 = 0.155$.

Based on the calculation above, it is known that the direct effect is (-0.413) and the indirect effect is 0.155 which means that the indirect effect is greater than the direct effect. Therefore, it can be concluded that indirectly liquidity through dividend policy has a significant effect on firm value.

3. Effect of capital structure through dividend policy on firm value

It is known that the direct effect of capital structure on firm value is (-0.065). Meanwhile, the indirect effect of capital structure through dividend policy on firm value is the multiplication of the beta value (capital structure on dividend policy) and the beta value (dividend policy on firm value) which is $0.228 \times 0.285 = 0.064$.

Based on the above calculation, it is known that the direct effect is (-0.065) and the indirect effect is 0.064 which means that the indirect effect is smaller than the direct effect. Therefore, it can be concluded that indirectly the capital structure through dividend policy has no significant effect on firm value.

4. The effect of the covid-19 effect through dividend policy on company value

It is known that the direct effect of the covid-19 effect on company value is (-0.029). Meanwhile, the indirect effect of the covid-19 effect through dividend policy on firm value is the multiplication of the beta value (covid-19 effect on dividend policy) and the beta value (dividend policy on firm value) which is $0.104 \times 0.285 = 0.029$.

Based on the above calculation, it is known that the direct effect is (-0.029) and the indirect effect is 0.029 which means that the indirect effect is greater than the direct effect. Therefore, it can be concluded that indirectly the effect of Covid-19 through dividend policy has no significant effect on company value.

4.2.4 Sobel Test

Table 6 Sobel test

	B	Std. Error	Say.	From Sobel)	(Uji
Profitability	-0,221	1,008	0,827	0,338	
Liquidity	0,115	0,034	0,001	0,041	
Capital Structure	0,185	0,123	0,136	0,194	
The Covid-19 pandemic	0,077	0,084	0,362	0,388	
Dividend Policy	1,333	0,522	0,013		

The results of the Z (Sobel test) on the liquidity variable have a Sig value of 0.041 < 0.05 so it can be concluded that the dividend policy variable is capable of intervening in the liquidity variable, while the z results (Sobel test) on the variables of profitability, capital structure and the Covid-19 pandemic have the Sig value is more than 0.05 so that it can be concluded that the dividend policy variable is not capable of being an intervening variable in the profitability and capital structure variables.

4. DISCUSSION

5.1 Effect of Profitability on Firm Value

From the results of the analysis above it can be seen that the significance value of Profitability is $0.827 > 0.05$ which means that Profitability has no effect on Firm Value.

Where companies that get high profitability tend to prioritize these profits for retained earnings, not for distribution to shareholders. If the net profit the company gets is higher, the profit retained by the company will also be higher, which results in a small amount of profit being distributed to shareholders (Ginting, 2021). In accordance with this statement, research conducted by (Padhan, 2017) found a negative effect on profitability on firm value.

5.2 The Effect of Liquidity on Firm Value

From the results of the analysis above, it can be seen that the significance value of Liquidity is $0.001 < 0.05$ which means that Liquidity has an effect on firm value. High liquidity allows the company to pay its obligations on time. The higher the current ratio, the higher the company's efficiency in utilizing its assets which will affect investors' interest in investing their money which has an impact on company value. The relationship between the liquidity ratio and firm value is that this ratio is used to measure the company's ability to pay its debts and pay them back, and to be able to meet the demand for credit that will determine the company's profits. (Putra, Ps, & Juniarti, S: 2019). In accordance with this statement, research conducted by (Pourali and Arasteh, 2017; Farooq et al., 2016; Nadya et al., 2017) found a positive effect of liquidity on firm value.

5.3 Effect of Capital Structure on Firm Value

From the results of the analysis above, it can be seen that the significance value of capital structure is $0.136 > 0.05$, which means that capital structure has no effect on firm value. A capital structure that uses a large proportion of debt is considered quite risky because companies have to deal with the obligation to pay debt and interest. Capital structure is a balance between long-term capital or own capital (Harahap, 2019). The problem of capital structure is a very important issue for companies, because the good or bad of the capital structure will have a direct effect on the company's finances (Arnita, 2021). In accordance with the statement above, research conducted (Novianto, 2018) states that capital structure has a negative effect on company value.

5.4 The Effect of the Covid-19 Pandemic on Company Value

From the results of the analysis above, it can be seen that the significance value of the Covid-19 Pandemic is $0.362 > 0.05$, which means that the Covid-19 Pandemic has no effect on company value. The impact of the Covid-19 pandemic tends to be negative when it occurs in the capital market. This is because investors face a high level of uncertainty regarding the impact caused by Covid-19, both physically and financially (Ministry of Manpower, 2020). In accordance with the statement above, research conducted by (Shifa Revinka, 2021) states that the influence of the Covid-19 pandemic has a negative effect on company value.

5.5 The Effect of Dividend Policy on Firm Value

From the results of the analysis above, it can be seen that the significance value of the Covid-19 Pandemic is $0.013 < 0.05$, which means that the Dividend Policy has a direct effect on company value. Companies try to realize investors' wishes in order to attract investors to invest in companies by distributing dividends (Iin, 2019). The desire of investors who tend to want dividend distribution is answered by companies by increasing dividend payments. As a consequence, investors feel satisfied and the company's stock price increases due to the large demand for the company's shares (Gumanti, 2018). In accordance with the statement above, research conducted by (Putra & Lestari, 2018) states that the influence of dividend policy has an effect on company value.

5.6 Effect of Profitability on Dividend Policy

From the results of the analysis above, it can be seen that the significance value of Profitability is $0.000 < 0.05$, which means Profitability has an effect on Dividend Policy. This is because the proportion of dividends that will be distributed to shareholders must be precise

because the greater the dividends distributed, the smaller the retained earnings that can be used for various company activities. In accordance with the statement above, research conducted by (Jacob & Taslim, 2017) suggests that there is an effect of profitability on dividend policy.

5.7 The Effect of Liquidity on Dividend Policy

From the results of the analysis above, it can be seen that the significance value of Liquidity is $0.010 < 0.05$, which means that Liquidity affects dividend policy. Companies that have high liquidity will increase their dividend payments because the company is not burdened in fulfilling its short-term obligations. Companies that bear short-term debt using their current assets have a stronger current asset position and can show investor confidence that there is availability of funds to pay dividends to shareholders. In accordance with the statement above, research conducted by (Sudjarni, 2018) states that capital structure has a significant effect on dividend policy.

5.8 Effect of Capital Structure on Dividend Policy

From the results of the analysis above, it can be seen that the significance value of Capital Structure is $0.639 > 0.05$, which means that Capital Structure has no effect on Dividend Policy. Companies in using long-term debt should be at a reasonable level, because it can pose a high risk. This is to prevent the company from having difficulty paying debts which can pose a high risk. This is to prevent the company from having difficulty paying debts which can have the effect of reducing the confidence of creditors and potential investors which can then result in a decrease in the level of dividend distribution. The results of research by Eka Septiani (2017) which state that the capital structure of the dividend policy. But the results of previous research conducted by Effendy (2018) state that structure has no effect on dividend policy.

5.9 The Effect of the Covid-19 Pandemic on Dividend Policy

From the results of the analysis above, it can be seen that the significance value of the Covid-19 Pandemic is $0.777 > 0.05$, which means that the Covid-19 Pandemic has no effect on the dividend policy. That in the condition of covid-19 investors are in an uncertain condition and do not know when covid-19 will end. So that investors' expectations are only the distribution of dividends can reduce this uncertainty. According to the statement above, research conducted (Burhanudin, Sri & Laila, 2022) states that the Covid-19 pandemic has no positive effect on dividend policy.

5. CONCLUSION

This effect aims to examine the effect of Profitability, Liquidity, Capital Structure, Covid-19 Pandemic on Firm Value with Dividend Policy as Intervening Variables in sub-sector companies *food and baverage* registered on the Indonesia Stock Exchange for the 2018-2021 period. Based on the results of the tests and discussions that have been carried out in this study, it can be concluded that Profitability and Liquidity can affect Company Value, Capital Structure and the Covid-19 Pandemic cannot affect Company Value. Furthermore, Profitability and Liquidity cannot affect Dividend Policy, Capital Structure can affect Dividend Policy, the Covid-19 Pandemic cannot affect Dividend Policy while Dividend Policy cannot affect Company Value. The results of the study using the Sobel test can be concluded that the dividend policy variable is able to mediate two variables, namely Liquidity and the Covid-19 Pandemic, then the dividend policy variable is unable to mediate two variables, namely Profitability and Capital Structure.

This study has several limitations, namely the companies that were sampled in this research were only 24 companies engaged in the sub-sector *food and beverage* on the Indonesia Stock Exchange, so that the research results cannot be generalized to all companies. This study only uses secondary data, namely the company's financial statements obtained from the Indonesia Stock Exchange. Primary data in the form of interviews and questionnaires were not used in this study due to time constraints. In this study there were still several tests that did not pass such as the normality test, heteroscedasticity test and autocorrelation test. For future researchers, it is recommended to update the broader research object so that the research results can be generalized, updating the year of research that is relevant to the existing conditions.

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