PAPER NAME

4457-117783-1-ED.pdf

AUTHOR

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WORD COUNT

6796 Words

CHARACTER COUNT

36780 Characters

PAGE COUNT

10 Pages

FILE SIZE

312.1KB

SUBMISSION DATE

Nov 20, 2023 9:46 AM GMT+7

REPORT DATE

Nov 20, 2023 9:47 AM GMT+7

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Keunis
Vol. 12, No. 1, Jan 2024, Page. 21-30

P-ISSN: 2302-9315
E-ISSN: 2714-7274
https://jurnal.polines.ac.id/index.php/keunis

NET PROFIT, COMPANY VALUE, AND DIVIDEND POLICY: EMPIRICAL STUDY ON CONSUMER NON-CYCLICAL COMPANIES

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Article History:
Received : 2023-05-22
Revised : 2023-10-19
Accepted : 2023-10-27
Published : 2024-01-03

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Cite this article:
Nurmala, P., & Adiwibowo, A. S. (2024). Net Profit, Company Value, and Dividend Policy: Empirical Study on Consumer Non-Cyclical Companies. *Keunis*, 12(1), 21-30.

DOI:
10.32497/keunis.v12i1.4457

Abstract: *This study aims to provide empirical evidence that net income and firm value affect dividend policy in the consumer non-cyclical sector companies listed on the Indonesia Stock Exchange for the period 2017-2021. This study's independent variables are net income and company value. Meanwhile, the dependent variable is dividend policy. The sample was selected using the purposive sampling method to obtain 18 companies that met the criteria with an observation period of 5 years. The data used is secondary. Data analysis using multiple regression analysis. From this research, the conclusion is that net income does not affect dividend policy. Meanwhile, company value has a positive effect on dividend policy.*

Keywords : Net Profit, Firm Value, Dividend Policy

INTRODUCTION

The growth and development of the Indonesian capital market have come a long way. From year to year has increased. It can be seen from the number of companies listing their shares and the value of stock transactions occurring daily. Along with the rapid development and growth of the capital market, this also affects the investment climate in the stock market. This fact is evidenced by many companies that go public or list their shares on the Indonesian stock exchange. One of the company's financial policies, when the company is already going, is the payment of dividends.

Investors who have bought shares or invested in companies certainly have the primary goal, namely, to get dividends (dividend yield) and profits from the difference between the selling price of the shares and the purchase price (capital gain). Concerning dividend income, investors generally want a relatively stable dividend distribution because dividend stability can increase investor confidence in the company, reducing investor uncertainty in investing their funds.

The dividend policy has essential meaning for the company. Company management often experiences obstacles between decisions to distribute dividends or company funds for investment. In adopting a dividend policy, the company must consider the survival and growth of the company. Dividend policy can be linked to firm value. The optimal dividend policy (optimal dividend policy) is a dividend policy that creates a balance between current dividends and future growth to maximize the company's stock price (Mardiyati, et al., 2012).

Net profit best indicates a company's ability to pay dividends. According to Noviyanto (2016), dividend distribution is influenced by the net profit generated by the company and the cash available in the company. Theoretically, companies that have high net income will pay significant dividends. However, companies with large profits will not necessarily distribute large amounts of dividends because companies can use some of the profits earned as retained earnings to develop small companies for shareholders.

Based on research conducted by Indriani (2019) found that net income has a negative effect on dividend policy. The research conducted by Mulyaningsih and Rahayu (2016) shows a significant positive effect between net income and dividend policy. Meanwhile, these results differ from research conducted by Noviyanto (2016), which shows that net profit partially has a negative and insignificant effect on dividend policy.

The factor that affects dividend policy is the company's value. Firm value can be measured by MBV (market to book value). MBV is a ratio that assesses how investors view the company's performance (Gitman, 2006; Marpaung & Hadianto, 2009). The company's value will increase shareholder income to the maximum if the stock price rises. The higher the company's stock price, the more shareholders' income will also increase and positively impact company value (Triyono, 2014). Based on research conducted by Ahmad et al. (2016), it was stated that company value has a positive and insignificant influence on dividend policy predictions for banking companies on the IDX. This result means that the greater the company's book value, the higher the dividend policy set by the company.

Furthermore, research conducted by Deni et al. (2016) found that the effect of the Firm Value variable on dividend policy is positive and significant. It is because external funding access costs are relatively cheaper for companies with high investment opportunities. However, these results contrast Scientific and Asandimitra's (2014) research, which shows the results do not affect company value on dividend policy. It is because the company uses a larger debt composition than its retained earnings to finance its investment.

Dividend policy has become a phenomenon that often occurs in Indonesia, like the case of PT. Freeport Indonesia. Indonesia's hopes of receiving dividends from the results of PT Freeport Indonesia's performance in 2014 will again be dashed. The mining company will no longer share dividends with its shareholders because it is still focused on investing in underground mining. Thus, the policy of not paying dividends is the third year that the government has quenched its thirst for Freeport's dividend sharing. Lastly, in 2011, the government still pocketed a dividend of US$ 202 million or IDR 1.76 trillion. Daisy Primayanti, the spokesperson for Freeport Indonesia, said the decision to no longer pay dividends on 2014 performance to shareholders was because the company was still focused on completing underground mining projects, which required a significant investment of US$15 billion. The composition of shares in PT Freeport Indonesia is majority held by Freeport McMoRan, with a portion of 90.64% of the shares.

Meanwhile, Indonesia only has 9.36% shares. Freeport McMoRan's 2014 annual financial report shows that Freeport Indonesia earned US$3.07 billion in revenue, or a 25% decrease from the previous year's US$4.09 billion. The operating profit reached 719 million US dollars or decreased from 2013, worth 1.4 billion US dollars. The government is still trying to get Freeport to continue contributing dividends to the Indonesian government. The BUMN Ministry targets Rp 1 trillion in income from the Freeport dividend. "I have not seen any of the efforts yet, but basically, we are pushing Freeport to pay dividends," said Rini. Chairman of the Public Policy Working Group of the Association of Indonesian Mining Experts (Perhapi) Budi Santoso said the government must have a way to pressure Freeport to continue paying dividends. "I estimate that Freeport will not distribute dividends until 2017. The underground mining project will only be completed in 2017," he said. He asked the government to provide this bad record in determining the certainty of Freeport's contract, which will expire in 2021. "Our BUMN is capable, we have professional staff, there is money, just break the contract with Freeport," he added. Budi said the government must learn from the Inalum case. For 30 years, the government did not receive dividends, but when Inalum became the property of Indonesia, its income increased and entered the state treasury (Kompas.com, 2015).

This phenomenon can also be seen in the dividend policy implemented by Bumi Serpong Damai Tbk. In 2011 the company decided not to distribute dividends, but then in 2012, the company distributed dividends of 20.4% of its profits. Then from 2013 to 2015, the company continued to significantly reduce the dividend distribution amount, namely 9.75% in 2013 and 7.21% in 2014 and 5.21% in 2015, respectively. Moreover, the amount of the policy dividend distribution every year by the company is determined based on the condition of the company. It is concluded that the distribution of dividends for 3 years is not distributed consistently annually by the company to shareholders.

The difference between this research and previous research is in the examined object. This research uses consumer goods industry sector companies. Researching dividend policies in non-cyclical consumer companies is essential for a multitude of reasons. These policies play a pivotal role in influencing investor decisions, serving as an indicator of financial stability and reliability. Investors often rely on dividend consistency as a signal of a company's health, making it a critical factor in their investment choices. Additionally, it affects shareholders' trust and can impact the overall performance of a company. Understanding the dividend policy helps investors estimate returns on their investments and assess the level of risk associated with the company. Furthermore, it provides insights into a company's financial management, offering a clear picture of how they manage profits, reinvest in growth, and maintain financial stability. In the context of non-cyclical consumer companies, which often deal with essential products and services, dividend policies can be a crucial part of maintaining consumer and investor confidence. Then in the period under study, the research uses 2017-2021, namely 5 years. Based on the above explanation, different research gaps still show inconsistent results. So, the researcher is interested in conducting research titled Net Profit, Firm Value, and Dividend Policy: Empirical Study on Consumer Non-Cyclical Companies.

LITERATURE REVIEW

Agency Theory

Jensen and Meckling (1976) and Taufan (2014) put forward the agency theory that the interests of management and shareholders often conflict, leading to conflict. This conflict can occur because managers tend to prioritize their interests rather than the interests of shareholders. According to agency theory, the interests of managers as company managers sometimes differ from those of shareholders. In contrast to the company's goal, managers can take actions considered to increase their welfare, which hopes to maximize market value. This conflict of interest causes the need for a mechanism to be implemented in the company to protect the interests of shareholders (Jensen & Meckling, 1976; Taufan, 2014).

Conflicts between managers and shareholders can be reduced by having a supervisory mechanism for the interests of each. However, this mechanism will incur agency costs. The level of information differences in the company will be relatively high according to significant investment opportunities. The manager has information about the future value of the project, and the actions of the manager cannot be always monitored by the shareholders, so the agency cost between managers and shareholders will increase in companies with high investment opportunities. The company's shareholders will likely depend on incentives to motivate managers to pursue their interests. It will affect dividend distribution. So often, discussions about dividends must refer to the agency theory framework.

Signalling Theory

The signal is done by company management to guide shareholders on how the management in charge of managing the company views the company's prospects in the future. Managers must provide signals regarding company conditions to owners as a manifestation of the manager's responsibilities in managing the company by providing financial report information to external parties (Scientific & Asandimitra, 2014). According to Nurmala and Siregar (2018), signal theory indicates an information asymmetry between company management and parties interested in this information. Signal theory suggests how companies should provide signals to users of financial statements.

Signalling theory explains why companies urge to provide financial statement information to external parties. The company encourages providing information because there is information asymmetry between the company and outsiders. After all, the company knows more about the company and its prospects than outsiders (investors and creditors). The relationship between this research and signal theory shows that dividend policy is often seen as a signal for investors to assess the merits of a company. It is because dividend policy can impact a company's stock price. An increase in cash dividends is considered a signal that the company has good prospects in the future. An increase in cash dividends often causes an increase in the share price, meaning that the company's value increases. In contrast, a cut in dividends generally causes a decrease in the share price which means a decrease in the company's value.

Effect of Net Income and Company Value on Dividend Policy

The relationship between net income, company value, and dividend policy can be understood through the lenses of agency theory and signal theory. Agency theory posits that there may be a principal-agent conflict within a corporation, where managers (agents) might make decisions that do not align with the interests of shareholders (principals). When a company's net income is strong, and its value is high, it can serve as a signal to investors that the firm is being managed efficiently and profitably, reducing concerns of agency conflicts. In this context, a generous dividend policy may not be necessary, as the firm's value and profitability signal managerial competence. On the other hand, signal theory suggests that a company's dividend policy can convey valuable information to the market. When a company with a strong net income and high value adopts a dividend policy of regular or increasing dividends, it signals confidence in its financial health and growth prospects. This signal can attract investors and positively influence the company's stock price, which can, in turn, enhance company value. Thus, the interplay between net income, company value, and dividend policy reflects the dynamic relationship between agency theory and signal theory, addressing the agency problem while effectively communicating management's confidence to external stakeholders.

Dividend policy is related to the determination of income (earnings) between the use of income to be paid to shareholders as dividends or to be used within the company, which means that the profit must be retained within the company (Riyanto, 2001; Noviyanto, 2016). Research that analyzes the effect of firm value (market to book value) on dividend policy conducted by Ahmad et al. (2016) firm value has a positive effect on dividend policy because it reflects that the market assesses the return on a company's investment in the future from the expected return on its equity. The condition of a good and profitable company is a company that has a high company value that will choose to pay more dividends so as not to cause the company's funds to accumulate. If the market-to-book value increases, the company's dividend will also increase. Based on the results of the previous research, the researcher proposed the following hypothesis:

H1: net income and firm value affect dividend policy.

Effect of Net Income on Dividend Policy

The effect of net income on dividend policy can be analyzed through the lenses of agency theory and signal theory. In the context of agency theory, higher net income can potentially mitigate agency conflicts within a company. When a firm's net income is substantial, it may signal efficient management and financial performance, reducing concerns about managerial self-interest conflicting with shareholder interests. In this scenario, shareholders may be more comfortable with a more modest dividend policy, trusting that the retained earnings will be invested wisely for long-term growth. On the other hand, signal theory suggests that a company's net income can serve as a signal to investors regarding its financial health and growth prospects. A strong net income can signal confidence in the firm's ability to generate profits, which may prompt management to adopt a dividend policy that reflects this strength. Consequently, the net income's impact on dividend policy highlights the complex interplay between addressing agency problems and conveying valuable information to external stakeholders.

According to Noviyanto (2016), dividend distribution is influenced by the net profit generated by the company and the cash available in the company. Theoretically, companies that have high net income will pay significant dividends. Moreover, of course, the dividend policy is also affected. Research conducted by Indriani (2019) found that net income has a negative effect on dividend policy. It is in line with research conducted by Noviyanto (2016), which shows that net profit partially has a negative effect on dividend policy. Furthermore, Mulyaningsih and Rahayu's research (2016) shows a significant effect between net income and dividend policy. Based on the results of the previous research, the researcher proposed the following hypothesis:

H2: net income affects dividend policy.

Effect of Firm Value on Dividend Policy

The effect of firm value on dividend policy can be comprehended through the dual perspectives of agency theory and signal theory. In the framework of agency theory, a higher firm value often suggests greater alignment between the interests of managers and shareholders. When a company's value is high, it indicates efficient management and good financial performance, which can mitigate concerns about agency conflicts. Shareholders may then be more comfortable with a conservative dividend policy, confident that retained earnings are being invested wisely for sustainable growth. Conversely, signal theory posits that a company's firm value can serve as a signal to investors about its financial well-being and growth potential. A robust firm value can signal management's confidence in the company's ability to generate returns, prompting the adoption of a dividend policy that mirrors this strength. Therefore, the influence of firm value on dividend policy underscores the intricate interplay between addressing agency issues and conveying pertinent information to external stakeholders, showcasing how these theories operate in parallel.

One approach to determining company value is the Price Book Value (PBV) or the Market Book Value Ratio (MBV). MBV is used to measure stock price performance against book value. Companies that are running well generally have an MBV ratio above one, indicating that the shares' market value is greater than the book value (Astuti, 2014). According to the information content of dividend theory, investors will see an increase in dividends as a positive signal for the company's prospects in the future. Dividend distribution signals a favorable change in

managers' expectations, and a decrease in dividends indicates a pessimistic view of the company's prospects in the future. Companies that can provide high dividends will also get a high value of trust from investors because investors prefer certainty about their investment returns and anticipate the risk of uncertainty about company bankruptcy. High dividends will attract investors, thereby increasing demand for shares. High demand for shares will make investors appreciate the value of shares more significantly than the value recorded on the company's balance sheet, so the company's value is high, and the dividend policy is also high. Thus, the firm value has a positive influence on dividend policy. Market-to-book value reflects how much the market assesses the company can use its capital in running a business to meet company goals. The larger the company can manage its capital well, the higher the opportunity to grow and attract investors to provide funds. Based on research conducted by Ahmad et al. (2016) states that company value has a positive influence on Dividend Policy. It is in line with research conducted by Deni et al. (2016), which found that firm value positively affects dividend policy. Moreover, this is also in line with research conducted by Dewi (2016), which states that company value positively affects dividend policy. It means that the higher the company's value, the higher the dividend policy set by the company. Based on the results of the previous research, the researcher proposed the following hypothesis:
H3: firm value influences dividend policy.

RESEARCH METHODS

This type of research includes associative research (relationship), which aims to determine the relationship between two or more variables. Based on the level of explanation of the variable position, this research is causally associative, namely research that seeks causal (causal) influences (relationships) because it aims to determine the effect of independent (independent) variables on related (dependent) variables (Sugiyono, 2012). Based on the type of data and analysis used, this research is included in quantitative research because it refers to calculating data in the form of numbers. In this study, researchers obtained data in the form of financial reports from 2017-2021.

To test the proposed hypothesis, the variables examined in this study are classified into dependent variables and independent variables. The dependent variable (dependent variable) is the dependent variable and is influenced by other variables (independent). The dependent variable in this study is dividend policy. According to Sartono (2011) and Noviyanto (2016), dividend policy is a decision whether profits earned by the company will be distributed to shareholders as dividends or will be retained in the form of retained earnings to finance investment in the future. This study measures dividend policy by the Dividend Payout Ratio (DPR). DPR is formulated as follows: Dividend Payout Ratio (DPR) = Dividend per Share/Earning per Share.

An Independent variable is a type of variable that explains or influences other variables. The independent variables used in this study are: 1) Net Profit; according to Kasmir (2013), Net profit can be measured by the formula: NPM = Earning After Interest Tax/Sales. 2) Firm Value According to Harmono (2009), firm value is the company's performance which is reflected by the share price formed by the demand and supply of the capital market, which reflects the public's assessment of the company's performance. In this study, company value is measured by MBV or PBV. According to Gitman and Zutter (2012), MBV is formulated as follows: MBV = Market Price per Share of Common Stock Book Value per Share of Common Stock.

The control variable in the study is Tax. The inclusion of tax as a control variable in the analysis of dividend policy is of paramount importance. Taxes exert a substantial influence on a company's dividend decisions, shaping the amount that can be distributed to shareholders and affecting the overall financial health of the firm. Tax considerations not only play a pivotal role in tax-efficient dividend planning but also in ensuring compliance with regulatory requirements. Investors, too, are acutely aware of the tax implications of dividends, and their investment choices are often influenced by the tax treatment of income from investments. Consequently, analyzing dividend policies without accounting for the intricate tax landscape can yield incomplete and potentially misleading results, particularly in an era where tax-efficient strategies, cross-border implications, and alternative capital allocation methods are increasingly prevalent. Understanding the intersection of tax and dividend policy provides a comprehensive perspective on how tax factors into the decision-making process of a company and its impact on shareholder value. According to Arif and Akbar (2013) also Refra and Widiastuti (2014), taxes are measured by the following formula: Tax = Annual Tax/Earning before Tax.

RESULTS AND DISCUSSION

Results

Based on the results of the descriptive analysis test in Table 1, a sample size of 72 is often chosen when dealing with data that may contain outliers. Outliers are data points that significantly deviate from the rest of the dataset, and they can have a substantial impact on statistical analyses. By having a larger sample size, such as 72, researchers aim to minimize the influence of outliers and obtain more robust and reliable results. With a larger sample, the effects of outliers are diluted, and the statistical analysis becomes less sensitive to extreme values. This approach is commonly used to ensure that the presence of outliers doesn't unduly skew the findings, providing a more accurate representation of the central tendencies and patterns within the data.

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Net profit	72	0,017	0,263	0,096	0,049
Firm Value	72	0,648	16,060	3,604	3,259
Tax	72	0,008	0,179	0,042	0,034
Dividend Policy	72	0,013	1,182	0,490	0,265
Valid N (listwise)	72				

Source: *Output* IBM SPSS 24 (processed data)

The net profit variable is proxied as Net Profit Margin or NPM, which is measured quantitatively by calculating the profit after interest and tax expenses divided by net sales, the number of samples is 72 with a standard deviation of 0,049. The lowest value (min) of the firm value variable is 0,017. At the same time, the highest value (max) of the firm value variable is 0.2633. While the average value (mean) of the firm value variable is 0,096.

The company value variable is proxied as Market to Book Value or MBV, measured quantitatively by calculating the market price divided by the book value per share. The number of samples is 72, with a standard deviation of 3,259. The lowest value (min) of the firm value variable is 0,648. In comparison, the company value variable's highest value (max) is 16,060. While the average value (mean) of the firm value variable is 3,604.

The tax variable is measured quantitatively by calculating the tax paid divided by profit before tax. The number of samples is 72, with a standard deviation of 0,034. The lowest value (min) of the tax variable is 0,008. In contrast, the tax variable's highest value (max) is 0,178. While the average value (mean) of the tax variable is 0,042.

The dividend policy variable is proxied as the dividend payout ratio and is measured quantitatively by calculating the dividend divided by earnings per share. The standard deviation is 0,265. The lowest value (min) of the dividend policy variable is 0.0130. At the same time, the highest value (max) of the dividend policy variable is 1,182. While the average value (mean) of the dividend policy variable is 0,490.

Table 2. Multiple Linear Regression Analysis

Model		Unstandardized Coefficients B	Std. Error
1	(Constant)	,138	,067
	Net Profit	,642	,816
	Firm Value	,038	,013
	Tax	3,668	1,291

Source: *Output* IBM SPSS 24

Based on the results of the multiple linear regression test in table 2, the multiple regression equation models between net income and firm value on dividend policy are as follows:

$$Y = 0{,}138 + 0{,}642X1 + 0{,}038X2 + 3{,}668X3 \tag{1}$$

Based on the regression equation, it is possible to analyze the effect of each independent variable, namely net income (X1), firm value (X2), and taxes (X3), on the dependent variable, namely dividend policy (Y). A constant value of 0,138 indicates that if the net profit, company value, and tax variables are constant or equal to zero (0), then the dividend policy is 0,138. If the company does not have a net income, firm value, and taxes in this study, it will reduce the dividend policy rate by 0,138 if other variables are fixed. The value of the regression coefficient of net income (X1) is positive, equal to 0,642. It means that for every increase in net income of 1, the dividend policy will also increase by 0,642 if other variables are constant. The value of the regression coefficient of firm value (X2) is positive, which is equal to 0,038. It means that for every increase in firm value of 1, the dividend policy will also increase by 0,038 if other variables are constant. The value of the tax regression coefficient (X3) is positive, which is equal to 3,668. It means that for every increase in tax by 1, the dividend policy will also increase by 3,668 if other variables are constant.

Table 3. F test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1,627	3	,542	11,022	,000[b]
	Residual	3,346	68	,049		
	Total	4,972	71			

Source: *Output* IBM SPSS 24

Based on table 3, it is known that the Fcount value is 11,022 with a significance level of 0,000. Using the F distribution table and a significant level of 0,05, we get a Ftable of 2,74. It is known that Fcount is 11,022 while Ftable is 2,74. Then Fcount > Ftable with a significance level of 0,000 <0,05. Thus, H1 is accepted. It means that the variable net income and firm value significantly affect dividend policy.

Table 4. t test

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	,138	,067		2,068	,042
	Net Profit	,642	,816	,121	,786	,435
	Firm Value	,038	,013	,472	2,958	,004
	Tax	3,668	1,291	,472	2,840	,006

Source: *Output* IBM SPSS 24

The results of the t-test in table 4 show that the net profit variable does not affect dividend policy in consumer goods industry companies. Net profit has a t-count of 0,786 and a t-table of 1,995. t-count < t-table with a significance of 0,435 > 0,05, then H2 is rejected. The net income variable does not affect dividend policy. Meanwhile, the firm value variable positively affects dividend policy in consumer goods industry companies. The firm value has a t-count of 2,958 and a t-table of 1,995. t-count > t-table with a significance of 0,004 < 0,05, then H3 is accepted. The firm value variable has a positive effect on dividend policy.

Discussion

Effect of Net Income and Company Value on Dividend Policy

This study simultaneously examines net income and firm value's effect on dividend policy. This study provides empirical evidence that the results of the F-test have an F-count of 11,022 and a F-table of 2,74. Then F-count > F-table with a significance level of 0,000 <0,05. Thus, H1 is accepted, and it can be concluded that the variables of net income and firm value significantly affect dividend policy. The results regarding the effect of net income and company value on dividend policy can be analyzed through the lenses of agency theory and signal theory. Agency theory suggests that when a company reports higher net income and greater company value, it signifies efficient management and a reduced likelihood of agency conflicts. In such cases, shareholders may be more inclined to trust management's decisions regarding a conservative dividend policy, confident that retained earnings are being prudently reinvested for long-term growth. On the other hand, signal theory posits that a company's net income and firm value can act as signals to investors about its financial health and growth prospects. Robust net income and high company value may prompt management to adopt a dividend policy that mirrors this strength, thereby attracting investors and enhancing the company's stock price. Thus, the results of net income and company value on dividend policy underscore the intricate interplay between addressing agency conflicts and conveying valuable information to external stakeholders, illustrating how both theories contribute to shaping a company's dividend decisions.

Effect of Net Income on Dividend Policy

This study provides empirical evidence that net income does not affect dividend policy. The net profit variable has a t-count of 0,786 and a t-table of 1,995. Then t-count < t-table with a significance of 0,435 > 0,05, so H2 is rejected, and it can be concluded that net income does not affect dividend policy. It means that the higher the net profit, the dividend policy will be fixed. It is because the amount of funds that can be distributed as dividends (or reinvestment) is not the same as profit after tax. So, it does not mean that all profit after tax is used to pay dividends, but it can also be used as retained earnings to finance company interests. If this happens to the company, its ability to generate profits will also be reduced. It is not by research conducted by Mulyaningsih and Rahayu (2016) shows that there is a significant positive effect between net income on dividend policy.

When the result indicates that net income doesn't significantly affect dividend policy, it can be examined in the context of both agency theory and signal theory. According to agency theory, this outcome might suggest that agency conflicts within the company are not a primary concern, as managers are not using net income to their advantage at the expense of shareholders. In this scenario, the company might have efficient mechanisms in place to align the interests of managers with those of shareholders. On the other hand, signal theory may indicate that the company relies on other signals, beyond net income, to communicate its financial health and growth prospects to investors. It implies that management might prioritize different financial metrics or strategic decisions to convey confidence in the company's prospects, such as through revenue growth or capital investment. Hence, when net income has no significant impact on dividend policy, it can be seen as a reflection of the nuanced interplay between agency theory and signal theory, with other variables and signals playing a more prominent role in shaping dividend decisions.

Effect of Firm Value on Dividend Policy

This study examines the effect of firm value on dividend policy. This study provides empirical evidence that firm value has a t-count of 2,958 and a t-table of 1,995. Then t-count > t-table with a significance of 0,004 <0,05, so H3 is accepted, and it can be concluded that firm value positively affects dividend policy. It shows that when the company's stock price is rising, generally, there is a positive increase in profits. It causes the company to increase its cash dividend for each share owned. So it will also increase the policy on dividend payments to shareholders. It is consistent with research conducted by Deni et al. (2016), which found that firm value positively affects dividend policy.

When the research reveals that firm value has a significant impact on dividend policy, it can be interpreted in light of both agency theory and signal theory. From the standpoint of agency theory, a positive correlation between firm value and dividend policy indicates a reduction in agency conflicts within the company. A higher firm value suggests efficient management and an alignment of interests between managers and shareholders, reducing the need for excessive dividends as a way to signal good corporate governance. On the other hand, from the perspective of signal theory, the effect of firm value on dividend policy is seen as a signal to external investors about the financial health and growth potential of the company. When a firm's value is high, the adoption of a more generous dividend policy can serve as a strong signal to attract investors and enhance the company's stock price. In essence, the result underscores the complex interplay between agency theory and signal theory, demonstrating how both theories contribute to shaping a company's dividend policies when firm value is a key factor in the equation.

CONCLUSION

Based on the results of the analysis and testing of the effect of net income, company value, and tax on dividend policy in consumer goods industry sector companies listed on the Indonesia Stock Exchange for the 2017-2021 period, it can be concluded that jointly (simultaneously) the variables net profit and company value have an effect significantly to the dividend policy of consumer goods industry companies on the Indonesia Stock Exchange. The net profit variable does not affect dividend policy in consumer goods industry companies on the Indonesia Stock Exchange. This result means that the higher the net profit, the dividend policy will be fixed. The firm value variable positively affects dividend policy in consumer non-cyclicals companies on the Indonesia Stock Exchange. This result means that the higher the company's value, the more dividends that the company will distribute will also increase.

This study has a limited number of samples. It is due to the limited number of research objects that have a negative profit during the study period. Some companies do not publish their financial reports consecutively in the 2017-2021 research period. The research observation period used was only 5 years. The variables in this study only use 3 variables because many factors still influence dividend policy.

Based on the results of the research conducted, the suggestions given by researchers for the company should be that it should further improve its financial performance to increase shareholder confidence. In addition, companies must convey sufficient information about dividends to investors because dividends are one of the attractions for investors to invest in the company. For investors who wish to obtain dividends by investing in a company, it is better to consider several factors that influence dividend policy, such as net income, company value and taxes. The results of this study are expected to provide additional information and can be used as a basis for making investment decisions by investors regarding a company's dividend policy. For further researchers, multiply the sample by using a wider research object so that the conclusions obtained can increase the level of generalization. Future research should extend the research observation period of more than 5 years. Future research should consider adding several other variables, such as corporate governance and sales growth, which are not in this study.

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