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MODERATION OF CORPORATE GOVERNANCE AND THE EFFECT OF PROFITABILITY, LEVERAGE, COMPANY SIZE, AND DIVIDEND POLICY ON SUSTAINABLE FINANCIAL PERFORMANCE

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Abstract
The purpose of this study is to investigate, know, and analyze the effect of corporate governance in moderating the effect of profitability, leverage, company size, and dividend policy on company value. The object of research in this study is the LQ45 Index listed on the Indonesia Stock Exchange for the 2017-2022 period. We use associative quantitative methods. The number of samples in this study based on criteria was obtained as many as 90 data from 15 companies for 6 years with the EViews testing tool. The analysis techniques used are descriptive statistical analysis, panel data regression testing, classical assumption testing, and interaction testing (MRA). The results showed that some profitability and dividend policies had a positive and significant effect on the value of the company, while leverage and company size did not have a significant effect on the value of the company. While the interaction test (MRA) results show that corporate governance can moderate profitability and dividend policy affects company value, corporate governance cannot moderate the effect of leverage and company size on company value. These findings provide valuable insights for companies in structuring sustainability activities and shaping dividend policies related to ownership structures. It also offers policy prescriptions on the Indonesia Stock Exchange in the field of corporate financing policies.

Keywords Corporate governance, profitability, leverage, company size, dividend policy; company value.

INTRODUCTION

The LQ45 index is one of the stock groups that drive the economy in Indonesia. This is because the LQ45 index covers 60% of the capitalization and transaction value in the Indonesian stock market. There is empirical evidence that the LQ45 index is a combination of stocks with a superior category with stable income selected based on criteria of productivity, liquidity, and profitability. According to research conducted by (Andhari &; Sukarha, 2017). This type of company is actively traded stocks and avoids bias from the presence of sleeping stocks. This increase in LQ45 value is what makes companies in the group still be trusted by their shareholders. It is evident from the company's ability to always characterize good financial management, pay attention to the welfare of its

shareholders, and consider all activities in the short and long term.

The interaction of corporate sustainability (CSP) performance and finance has received great attention from academia, the business community, and the financial industry due to the increasing influence of social and environmental challenges on organizations. Companies perceive CSPs as a new strategic choice to enhance their reputation and gain more competitive advantage because CSPs ultimately focus on long-term corporate value rather than just maximizing short-term revenue (Oh and Park, 2021). Therefore, companies position themselves to balance the association of CSP and corporate values by aligning environmental, social, and governance (ESG) goals in strategic decisions (Dahrud 2008; Montiel 2008). This is especially true for emerging markets where the tangible and intangible

The benefits of sustainability activities will bring more competitive advantage over time. As such, companies in these markets must embed sustainability at all levels of the organization and prioritize developing solid relationships with investors and stakeholders through the lens of sustainability (Stan, Stan, and Bratian 2020).

Meanwhile, companies use different policies to meet the expectations of shareholders and stakeholders. Dividend policy is one of them. It is an important way for investors to generate a return on investment, and as such, can be seen as a socially responsible attitude towards wealth distribution (Oh and Park 2021). The company uses a dividend policy to distribute a certain amount of net profit to shareholders. Given that companies generally engage with good corporate governance and socially responsible actions, dividend policy can be influenced by the implementation of sustainability measures and its tridimensional perspective called Triple Bottom Line (Harjoto and Jo 2011).

The latter is concerned with integrating environmental, social, governance, and economic issues into the long-term performance of businesses (Montiel 2008; Van Marewijk 2003). Menurut Ben-limit (2019), distribusi kekayaan perusahaan dipengaruhi oleh CSP. Oleh karena itu, sustainability, in conjunction with dividend policy, can serve as a value driver for shareholders and stakeholders to reach the goals of various interested parties.

Many authors (e.g., Benlemlih 2019; Brooks and Oikonomou 2018; Margolis, Elfenbein, and Walsh 2009; Naseem et al. 2020; Orlitzky, Schmidt, and Rynes 2003; Wang, Dou, and Jia 2016; Xie et al. 2019 among many others) concentrate on the relationship between CSPs and financial performance, but many of these studies also discuss the relationship between CSPs and dividend policy in developed markets (e.g. Benlemlih 2019; Cheung, Hu, and Schwiebert 2018; Matos, Barros, and Sarmento 2020; Samet and Jarboui 2017; and Sheikh et al. 2021). Because of this, developing nations that have seen tremendous expansion in trade and investment over the previous 20 years have a gap that has to be addressed. They now account for 46% of the amount of commerce globally, up from 32% in 2000. Regarding

After examining over 2000 empirical research, Friede, Busch, and Bassen (2015) concluded that taking ESG factors into account improves a company's financial success, especially in emerging markets. CSP could, however, have a reverse impact on financial choices. As an illustration, a business could typically cut dividends to provide the liquidity needed for sustainability initiatives that live up to shareholder expectations. Accordingly, controlling shareholders in developing markets have a propensity to direct resources toward sustainability initiatives, which has a detrimental impact on dividend policy (Al-Najjar and Kilincarslan 2016; Shaykh et al. 2021).

Examining contingency views in this context, Indonesia is a fascinating location to look at corporate governance and profitability as moderators in examining the link between CSP and dividend policy, with a focus on the LQ45

Index. The study aims to investigate the relationship between corporate involvement in sustainability activities and dividend policy, specifically examining the influence of profitability, leverage, and company size on this relationship. Panel data from 45 companies listed on the Indonesia Stock Exchange and 45 companies from 2017–2022 are used in the analysis. We selected this sample since the majority of the organizations are well-capitalized and have demonstrated notable advancements in their sustainability performance since 2017.

We used logit, probit, and Tobit panel regression models to perform the analysis. The study contributes to the literature in two-fold. First, closing the gap by considering the moderate role of corporate governance and profitability in validating the relationship between CSP and dividend policy in an emerging market setting, namely Indonesia. Exploring these relationships can reliably make implicit and explicit strategic decisions for the company's long-term performance. Second, our findings help companies in emerging capital markets to improve their corporate governance policies and facilitate the protection of minority shareholder rights in bringing about positive and complementary associations between CSP and dividend policy. Therefore, it helps the company in meeting the expectations of investors and stakeholders. Finally, these findings can be used by investors who use ESG screening as a decision criterion when investing in emerging markets.

Our first result suggests that companies with high CSPs should spend more effort to increase dividend payouts. Second, corporate governance and family ownership have a significant moderate role in determining the interaction between dividend payments and sustainable financial performance. In contrast, concentrated ownership and institutional ownership did not have a significant moderate effect on the relationship. These findings provide valuable insights for companies and policymakers to develop and improve corporate governance, sustainability, and dividend policy policies to reduce agency issues and more efficiently shape the allocation of capital resources.

The remaining sections of the study are organized as follows: Part 2 reviews the theoretical background and develops hypotheses. Part 3 provides data, variables and research methodology. Section 4 presents empirical findings, and finally, Section 5 concludes and discusses the implications of the findings.

THEORETICAL BACKGROUND AND HYPOTHESIS DEVELOPMENT

Following the dividend theory postulated by Miller and Modigliani (1961), extensive studies have proposed various expositions of dividend policy conundrums, namely, agency theory (Jensen 1986; Jensen and Meckling 1976), the 'bird in hand' theory

(Gordon 1963; Lintner 1962), signaling theory (Ross 1977), life cycle theory (Fama and French 2001; Mueller 1972), and stakeholder theory (Freeman 1984).

Previous research on the relationship between CSP and dividend policy has largely been conducted in developed markets and identified positive relationships (Benlemlih 2019; Cheung, Hu, and Schwiebert 2018; Matos, Barros, and Sarmento 2020; Rakotomavo 2012; Samet and Jarboui 2017). They claim that CSPs not only meet investor expectations but also act as an effective monitoring mechanism, and limit managers' opportunistic behavior regarding the use of free cash flow, translating it into higher corporate payouts. However, some studies find negative (Saeed and Zamir 2021), and weak (Kim and Jeon Cheung, Hu, and Schwiebert 2018; Shaykh et al. 2021; Trihermanto and Nainggolan 2020; Villiers and Ma 2017) between CSP and dividend payments. Table 1 provides summaries of previous studies. Among many, two leading theories lend themselves well to examining the relationship between CSP and dividend policy, namely agency theory and signaling theory.

According to agency theory, managers tend to use corporate resources in environmental and social investments to obtain more benefits for themselves acting as good stakeholders without considering shareholder interests much (Barnea and Rubin 2010; Brown, Helland, and Smith 2006; Jensen 1986; Jensen and Meckling 1976). In such cases, the sustainability of the company can create agency costs. In emerging markets, this situation is more important because corporate ownership is usually concentrated in the hands of families and a few large institutional shareholders (Khan and Baker 2022). Typically, controlling shareholders are more concerned with non-financial activities to safeguard the company's reputation and respond to stakeholder expectations of social and environmental issues (Anderson and Reeb 2003; Berrone et al. 2010; López-González, Martínez-Ferrero, and García-Meca 2019; Van Gils et al. 2014). As such they tend to overinvest in sustainability matters beyond optimal levels to gain more recognition and increase long-term capital gains (Godfrey 2005; You and Zhang 2011).

This perspective may not help minority shareholders, as the latter are more interested in stable dividend payments than unadulterated future capital gains in line with the bird-in-the-hand theory (Brown, Helland, and Smith 2006). Under this approach, one viable solution to these agency costs is to control free cash flow to invest in useless, high-dividend-paying projects (Barnea and Rubin 2010; Jensen 1986). In this sense, dividend policy has a monitoring role in reducing agency conflicts (De Cesari and Ozkan 2015; Easter 1984; Picking 1998).

The second theory that is closely related to the relationship between CSP and dividend policy is signaling theory (Bhattacharya 1979). According to this theory, firms use dividend payments to give positive signals to the market about the expected results of the firm (Benartzi, Michaely, and Thaler 1997; Miller and Rock 1985; Oh and the Garden 2021). Using 115 companies registered in India during the period 2009–2012, Seth and Mahenthiran (2022) found that signaling through corporate social responsibility (CSR) and dividends are complementary means to managing stakeholder relations. This finding is similar to a European company study by De Villiers, Ma, and Marques (2020) in showing that managers use CSR and dividend disclosures to signal tainted performance. From a CSP perspective, dividend payments serve as signals for two main reasons. First, companies are expected to meet stakeholder requirements through sustainable wealth creation. This is in line with stakeholder theory.

This theoretical view asserts that corporate responsibility must expand beyond maximizing shareholder value (Freeman 1984). In this sense, a high dividend-paying strategy indicates that sustainability activities are far from using the company's resources; it rather indicates a better allocation. Second, this approach strengthens a company's reputation and helps it increase customer loyalty (Ambarish, John, and Williams 1987). Therefore, it conveys an ethical approach to distributing wealth among those who have developed the company (He, Li, and Tang 2012)

In emerging markets with different ownership structures and corporate governance measures, several studies have explored the relationship between CSPs and dividend policies, and most of them support a positive relationship between CSPs and dividend policies (Oh and Park 2021; Saeed and Zamir 2021; Shaykh et al. 2021; Trihermanto and Naing-Golan 2020). In a recent study, using panel data from 320 listed companies from the top 10 emerging economies for 2015-2019, Lucas (2020) asserted that there is a positive impact of sustainability on dividends, showing that all stakeholder and shareholder interests can be aligned. This outcome is important because in emerging markets, massive shareholdings are held by families, and owners are concentrated, influencing companies' short- and long-term decisions. It is therefore very important to examine the influence of shipowner structure, and corporate governance in analyzing CSP and ship-dividend payment relationships. In addition, from a corporate governance

standpoint, there is a possibility of increasing dividends as part of efforts to reduce agency costs in these markets.

Hypothesis development

Based on the study of each variable, namely profitability, leverage, company size, dividend policy, company value and corporate governance, it is necessary to develop a framework that either partially or simultaneously there are 4 independent variables, 1 dependent variable and 1 moderator variable 59 variables profitability (X1), leverage (X2), company size (X3), and dividend policy (X4). In addition, the four independent variables also affect the dependent variable of company value (Y), and variable (Z), namely corporate governance

1. The Effect of Profitability on Company Value

The profitability of the company is the company's ability to generate net profit from activities carried out in the accounting period. High profitability will give an indication of good company prospects so that it can trigger investors to participate in increasing stock demand. The higher profitability of the company will also increase the company's earnings per share. The increase in earnings per share of the company will make investors interested in investing their capital by buying company shares. With so many investors buying company shares, it will increase the company's stock price, so that it will increase the company's value (Prasetyorini, 2013: 194). This statement is supported by signalling theory which states that price fluctuations in the market will affect investor decisions. And the above allegations are corroborated by previous research Dea Putri Ayu et al (2017), Dewi and Yuniarta (2014) stating that profitability has a significant positive influence on company value.

H1: There is a significant influence between partial probability on company value in LQ45 Index companies on the Indonesia Stock Exchange.

2. The Effect of Leverage on Company Value

The fulfillment of sources of funds through debt (loans) will affect the company's leverage level, because leverage is a ratio used to measure how far the company uses debt. According to Singapurnwoko (2021), leverage is the use of sources of funds that have a fixed load, with the hope that it will provide additional greater profits and at a fixed expense, so that shareholder profits increase. Leverage can also be one of the tools used by companies to increase their capital in order to increase profits. Increasing and decreasing debt levels have an influence on market valuations, large excess debt will have a negative impact on low company values. Several studies related to company value, according to research by Rudangga and Sudiarta (2016), prove that leverage has a positive effect on company value. This is also supported by 62 studies conducted by Mandey et.al (2017) which prove that leverage has a significant positive influence on company value. In contrast to the results of research by Sari and Abundanti (2014) which prove that leverage has a significant negative effect on company value.

H2: There is a significant effect between partial leverage on company value in LQ45 Index companies on the Indonesia Stock Exchange.

3. The Effect of Company Size on Company Value

Company size is a measure that describes the size of the company which can be assessed from the total value of company assets. The large size of the company indicates that the company is experiencing good growth. Companies with large growth will find it easy to enter the capital market because investors catch positive signals for companies that have large growth so that the positive response reflects increasing company value (Prasetyorini, 2013: 191) This statement is supported by a signalling theory that states the rise and fall of prices in the market will affect investor decisions. And the above allegations are corroborated by previous research conducted by Oktaviany (2019) and Ngurah (2016) stating that company size variables have

a positive and significant effect on company value

H3: There is a significant influence between the size of the company partially on the company value of the LQ45 Index companies on the Indonesia Stock Exchange.

4. The Effect of Dividend Policy on Company Value

Companies that can buy high dividends will also get a high trust value from investors, because investors prefer certainty about their investment returns and anticipate the risk of uncertainty and bankruptcy of the company (Ayem and Nugroho, 2016). Thus, dividend policy has a positive and significant effect on the value of the company. This allegation is corroborated by several previous studies conducted by Putra and Lestari (2016) that dividend policy has a positive and significant effect on company value and research from Fatimah and Khuzaini (2015) states that dividend policy has a positive and significant effect on company value.

H4: There is a significant influence between partial dividend policy on company value in LQ45 Index companies on the Indonesia Stock Exchange

5. The Role of Corporate Governance moderates the effect of profitability on company value

The results of research conducted by Noviani et.al. (2019) that corporate governance can strengthen the influence of profitability on company value. In agency theory, companies whose managers manage capital structures by implementing good corporate governance 64 can minimize deviations in the use of their debt, so that the magnitude of H5: There is a role of corporate governance that moderates the effect of profitability on company value in companies LQ45 Index on the Indonesia Stock Exchange.

6. The Role of Corporate Governance moderating the effect of leverage on corporate value

Leverage shows the proportion to the use of debt to finance an investment. Companies that do not have leverage use 100% of their own capital. (Ticoalu:2021). According to Putri et.al (2021), leverage can negatively affect company value. The use of debt in financing company investments will pose financial risks. Financial risk is a possibility that will occur to the company if it cannot cover debts that lead to bankruptcy. This condition causes investors' perception of the company to be low. When investor perception of the company is low, the value of the company will fall. Signaling theory explains that the size of the company has a commitment to maintain and improve company performance, so that the public will respond positively and pay a high price for the company. When the stock price rises, the value of the company will rise. This is because the value of the company is reflected in the share price.

H6: There is a role of corporate governance that moderates the effect of leverage on company value in companies LQ45 Index on the Indonesia Stock Exchange

7. The Role of Corporate Governance moderating the effect of leverage on corporate value

Leverage shows the proportion to the use of debt to finance an investment. Companies that do not have leverage use 100% of their own capital. (Ticoalu:2021). According to Putri et.al (2021), leverage can negatively affect company value. The use of debt in financing company investments will pose financial risks. Financial risk is a possibility that will occur to the company if it cannot cover debts that lead to bankruptcy. This condition causes investors' perception of the company to be low. When investor perception of the company is low, the value of the company will fall. Signaling theory explains that the size of the company has a commitment to maintain and improve company performance, so that the public will respond positively and pay a high price for the company. When the stock price rises, the value of the company will rise. This is because the value of the company is reflected in the share price.

H6: There is a role of corporate governance that

moderates the effect of leverage on company value in companies LQ45 Index on the Indonesia Stock Exchange

8. The Role of Corporate Governance moderating the Effect of Dividend Policy on Company Value

Dividend policy is a series of decisions taken by company management regarding the distribution of profits to shareholders in the form of dividends. A dividend is an amount of money or stock that is distributed to shareholders as part of the profits generated by the company

H8: There is a role of corporate governance that moderates the effect of dividend policy on company value in companies LQ45 Index on the Indonesia Stock Exchange

METHODOLOGY

1. Data

Sustainability and corporate social responsibility have been hot topics in the Indonesia Capital Market (Indonesia Stock Exchange) since the early 2010s. In particular, the increase in the number and expectations of investors sensitive to the issue, has increased awareness among LQ45 indexed companies and regulatory authorities. The Indonesia Stock Exchange (JSX) has also played a leading role in promoting sustainability among emerging markets, by being one of five pionnering stock exchanges to sign the Indonesia Stock Exchange initiative.

To test the hypothesis, we used data for a sample of 45 non-financial companies listed on the LQ45 Index for 2017–2022. We chose this sample because most of the companies in this sample are large in size and have shown significant progress in sustainable performance since 2017. Based on the criteria that have been set, a sample of 15 LQ45 companies that meet the criteria was obtained. Based on the 6-year research period, the total samples used were 90 samples. The following is a list of LQ45 companies that were sampled for the study

2. Definition and measurement of variables

The following sections present the definition and measurement of variables.

Independent Variable (X1)

According to Sugiyono (2016: 39) "Independent variables or independent variables are variables that affect or cause changes or arise dependent variables". The independent or independent variables in this study are as follows:

Profitability (X1)

This ratio will show how the company's ability to obtain profits by using and managing its assets. In this study, the calculation used is: Return on Asset (ROA) Ratio compares with assets owned. The higher this ratio means the more effective and efficient the management of its assets. The calculation formula is (Murhadi, 2013: 64)

ROA = EAT / Total Asset

Leverage (X2)

Leverage is a term used in the context of finance and investing to describe the use of debt or loans to increase potential investment returns or profits. It can be applied in a variety of situations, including investments in stocks, real estate, businesses, or even everyday transactions. (Murhadi, 2013:64). In this study, the calculation used is Debt to Equity Ratio (DER)

The Debt-to-Equity Ratio for each company is certainly different, depending on business characteristics and the diversity of cash flow. Companies with stable cash flow usually have a higher ratio than a less stable cash ratio. The formula for finding the debt-to-equity ratio can be used to compare total debt with total equity as follows

Debt-to-Equity Ratio = Debt/Equity

Company Size (X3)

The size of the company can be indicated by total assets, total net sales, average level of sales and average total assets. In this study, the size of

the company is assessed by the natural logarithm of the company's total assets.

The enterprise size formula can be written as follows

Size = Log (Total Active)

Dividend Policy (X4)

Dividend policy is a series of decisions taken by company management regarding the distribution of profits to shareholders in the form of dividends. A dividend is an amount of money or stock that is distributed to shareholders as part of the profits generated by the company. To analyze the dividend policy can be proxied as follows:

DPR = Shares/Shares on Davidon Share on Laba

Bound variable (Y)

Dependent variables are often referred to as output, criterion, and consequence variables. According to Sugiyono (2019: 39), bound variables are variables that are influenced or that are the result of independent variables. In accordance with the problem to be studied, the dependent variable will be the Company Value. Tobis's Q analysis is also known as Tobin's Q ratio. This ratio is a valuable concept because it shows current financial market estimates of the return value of each dollar of investment in the future (Smithers and Wright, 2007: 37) in Prasetyorini (2019: 186) Tobis's Q = MVE + Debt / TA Where:

MVE = Share price Debt = Debt TA = Total assets

Variable Moderator (Z)

A moderator variable is a variable that influences (strengthens or weakens) the relationship between the independent and dependent variables. In this study, the moderator variable is the role of corporate governance. In this study, corporate governance is proxied with independent commissioners.

Independent Commissioner who acts to oversee every policy making and provide review of the implementation of long-term strategies to management. So that the hope is that the existence of an Independent Commissioner can become a monitoring function for the purpose of creating good corporate governance (Putri &; Rahmini, 2021: 12). KI = Number of Independent Commissioners / Number of Board of Commissioners To make it easier to see the research variables to be used, the author describes them into the form of variable operationalization, which can be seen in the following table.

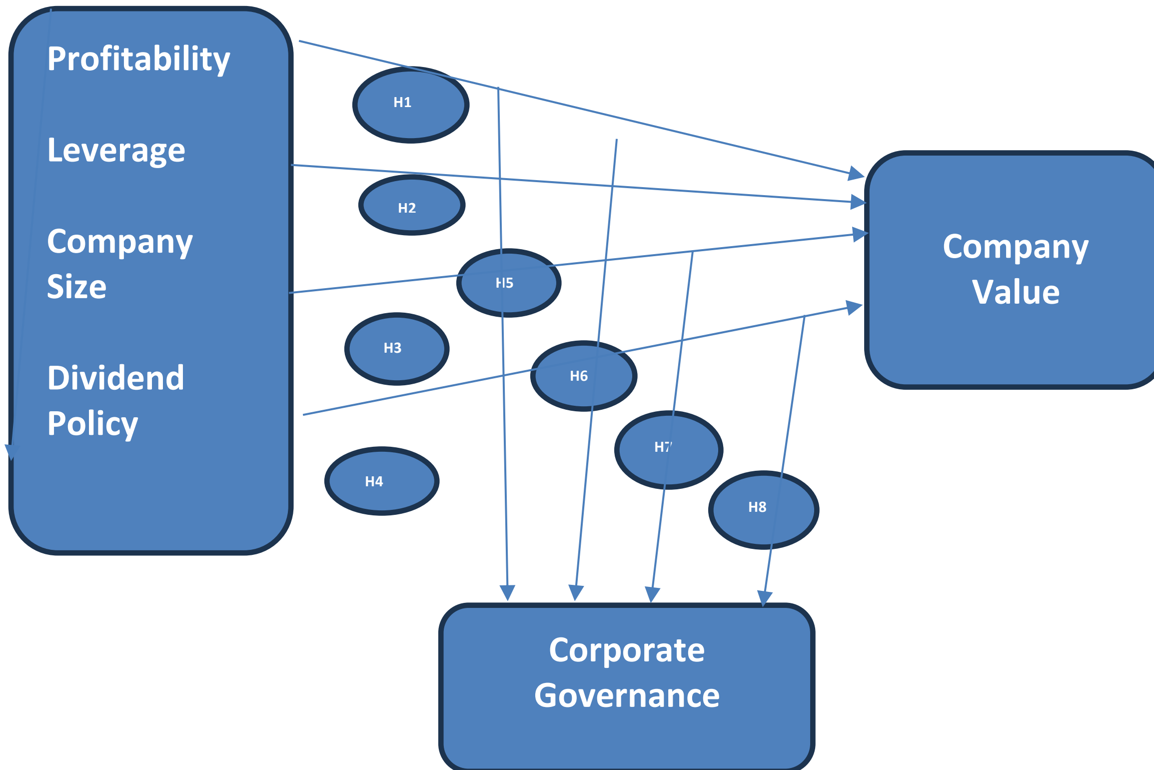

Figure 1. Conceptual framework.

Panel Data Model Selection

There are basically three techniques to regress panel data (Sriyana, 2014), namely the Common Effect approach or ordinary (Pooled Least Square) PLS, the fixed effect approach (Fixed effect model), and the random effect approach (Random effect model).

3. Test Classical Assumptions

- Normality Test
- Multicollinearity Test
- The Automobile
- Heteroscedasticity Test

4. Uji Hypoplant

- Uji Parsial (Uji Statistician t)
- Uji Simultan (Uji Statistik F)

5. Coefficient of Determination

The coefficient of determination (R2) is intended to measure how far the model is able to explain the variation of the dependent variable. The value of the coefficient of determination (R2) is 0 (Zero) and 1 (one), where a small or close value of R2 or close to 0 (zero) means the ability of the independent variable in explaining the variation of the dependent variable is very limited, but if R2 is large or close to 1 (one) then the independent variable provides almost all the information needed to predict dependent variation (Ghozali,

2017: 275).

6. Uji Interaksi (Moderated Regression Analysis /MRA)

The interaction test or often called Moderated Regression Analysis (MRA) is a special application of linear multiple regression where the regression equation contains elements of interaction (multiplication of two or more independents) which is tested to find out whether the moderating variable will strengthen or weaken the relationship between the independent variable and the dependent variable. (Ghozali, 2016). Moderates Regression Analysis (MRA) in this study was used for testing pure moderators carried out by making interaction regression, but moderator variables that did not function as independent variables (Ghozali, 2016). Moderated Regression Analysis (MRA) is used to determine whether the 89 governance variables can strengthen or weaken the relationship of profitability, leverage, company size and dividend policy to company value.

RESULTS OF RESEARCH AND DISCUSSION

Research Results

1. Descriptive Statistical Analysis

Descriptive statistical analysis is used to determine the description of a data seen from the maximum value, minimum value, mean value (Mean) and standard deviation value. In this study, the variables were ROA, DER, Size, DPR, Tobin's Q and DKI. Based on descriptive statistical analysis, a sample picture is obtained as follows:

Tabel 1. Statistik Deskriptif

	X1	X2	X3	X4	Y	Z
Mean	9.455011	2.134889	16.18467	39.29000	2.129556	0.408778
Median	6.080000	0.900000	16.05500	36.54500	1.220000	0.380000
Maximum	62.33000	6.870000	27.42000	80.49000	17.86000	0.700000
Minimum	0.370000	0.170000	12.20000	0.940000	0.160000	0.170000
Std. Dev.	10.56988	2.188857	2.922749	16.83129	2.757745	0.141062
Skewness	2.596207	0.951339	1.542629	0.068882	3.873232	0.490953
Kurtosis	11.09128	2.237642	6.928770	2.520502	19.32090	2.441597
Jarque-Bera	346.6122	15.75514	93.57767	0.933364	1223.923	4.784830
Probability	0.000000	0.000379	0.000000	0.627079	0.000000	0.091409
Sum	850.9510	192.1400	1456.620	3536.100	191.6600	36.79000
Sum Sq. Dev.	9943.299	426.4074	760.2792	25213.03	676.8590	1.770966
Observations	90	90	90	90	90	90

Sumber: Hasil olah data

The independent profitability variable (X1) has an average of 9.455011 with a standard deviation of 10.56988. A standard deviation greater than the mean indicates the spread of large data variables or the presence of a large enough gap between the lowest and highest profitability values (X1). The variable leverage (X2) has an average of 2.134889 with a standard deviation of 2.188857. A standard deviation greater than the mean indicates the spread of large data variables or the presence of a large enough gap from the lowest and highest leverage values (X1), Size is the size of the company measured based on total assets. The

larger the size value, it shows that the company is also getting bigger, it is known that the minimum X3 (Size) value is 1.210000 and the maximum Size value is 2.46000. While the average and standard deviation of Size are 142.9800 and 0.246080. The dividend policy variable (X4) has an average of 39.29000 with a standard deviation of 16.83129. A standard deviation greater than the mean indicates the spread of large data variables or the presence of a large enough gap between the lowest and highest dividend policy values (X4)

Hypothesis Testing

Partial Significance Test (t-Test)

The 5% significance criterion to determine the significant effect and not significant effect of the independent variable on the dependent variable is to look at the probability value in the results of the Eviews 12 program data processing as follows:

1. If the probability value ≥ 0.05 then H0 is accepted H1 is rejected

2. If the probability value ≤ 0.05 then H0 rejected H1 is accepted.

Partial Significance Test Results (t-Test)

Based on (t-Test) it can be explained that:

The coefficient value of the independent variable of profitability is positive which means that the variable profitability has a significant effect on the value of the company.

This is because t count > t table which is 9.65409 > 1.66277. While the statistical probability value t of the probability variable is 0.0000, which is < 0.05, so that the probability variable has a significant effect on the company value variable, at a significance level of 5%.

1. The value of the coefficient of the leverage-free variable is negative which means that the variable leverage has no significant effect on the value of the company. This is because t count < t table which is 0.98111 < 1.66277. And the statistical probability value t of the probability variable is 0.3711, which is > 0.05, so the leverage variable does not have a significant effect on the company value variable, at a significance level of 5%.

2. The coefficient value of the independent variable of company size is negative which means that the variable size of the company does not have a significant effect on the value of the company. This is because t count < t table which is 0.25132 < 1.66277. While the statistical probability value t of the probability variable is 0.8022, which is > 0.05 so the company size variable does not have a significant effect on the company value variable, at a significance level of 5%.

3. The value of the coefficient of the dividend policy independent variable is positive which means that the dividend policy variable has a significant effect on the value of the company. This is because t count > t table is 2.79975 > 1.66277. While the statistical probability value t of the probability variable is 0.0072, which is < 0.05, so the probability variable has a significant effect on the company value variable, at a significance level of 5%.

Simultaneous Significance Test (F-Test)

This test aims to examine the effect of profitability, leverage, company size, and dividend policy together or simultaneously on the value of the company. The form of the test is as follows:

H0: There is no effect of profitability, leverage, company size, and dividend policy together or simultaneously on the value of the company

H1: There is an effect of profitability, leverage, company size, and dividend policy together or simultaneously on the value of the company

Test criteria:

1. If the probability value (F-Statistic) ≥ 0.05 then H0 accepted H1 is rejected

2. If the probability value (F-Statistic) ≤ 0.05 then H0 is checked and H1 is accepted Table 4.13 Here are the results based on the simulatn significance Test

Simultaneous Significance Test Results (F-Test)

The F value of the table can be seen in the statistical table on the value of degree of freedom is df 1 = (k-1) or (4-1) = 3 and df 2 = (n-k) or (90-4) = 86 (k is the number of variables). With a significance of 0.05 obtained the result F table = 2.71. Based on table 4.12 known prob value. (F-statistic), which is 0.0000

< 0.05 or the result of the F value is calculated > F Table (26.94930 > 2.71), it can be concluded that all independent variables, there are influences of profitability, leverage, company size, and dividend policy together or simultaneously on the value of the company in LQ45 index companies on the Indonesia Stock Exchange for the 2016-2022 period

Coefficient of Determination (R^2)

The coefficient of determination (R2) is used to determine the contribution of all independent variables together to the dependent variable. If the value (R2) is 0, the influence of the independent variable on the dependent is weaker. Meanwhile, if the intention (R2) is close to 1, the influence of the independent variable on the dependent is stronger. The higher the Adjusted (R2) value, the higher the ability of the independent variable to explain the dependent variable.

Koefisen Statistical Value of Determination

Based on the value of the coefficient of determination (R-squared) of 0.559122 means that the variables of profitability, leverage, company size, and dividend policy have a close relationship with the variable company value of 55.91%. While the Adjusted R-squared value is 0.538375. This value can be interpreted as the variables of profitability, leverage, company size, and dividend policy can affect the value of the company simultaneously or together by 53.83%, the remaining 43.83% is influenced by other factors not explained in this study.

Uji Interaksi (MRA)

The second hypothesis testing is carried out using the Moderated Regression Analysis method or interaction test to find out whether a variable used as a moderation variable can strengthen or even vice versa (weaken) the relationship between the independent variable and the dependent variable.

To test the existence of Z whether it is true as a Pure Moderator, Quasi Moderator or not a moderating variable at all, with the following criteria (Tambun, 2013):

1. Pure moderator, if the influence of Z on Y in the first output and the influence of Z*X1 interaction on the second output, one of them is significant.

2. Quasi moderator, if the influence of Z on Y in the first output and the influence of Z*X1 interaction on both outputs are significant.

3. Not a moderator, if the influence of Z on Y in the first output and the effect of interaction Z*X1 on the second output, none of them are significant.

4. The role of corporate governance on the effect of profitability on company value.

From the output results above, it shows that the influence of Z (Corporate Governance) on Y in the first output of the prob value > 0.05 (0.5355 > 0.05) and the influence of moderate 1 (Z * X1) on the second output of the < prob value of 0.05 (0.000 < 0.05) where one of them is significant means that the profitability variable proxied by return on assets is pure moderate.

The role of corporate governance on the effect of leverage on company value

From the output of EViews above, it shows that the influence of Z (Corporate Governance) on Y in the first output of prob value > 0.05 (0.4336 > 0.05) and the influence of moderate 1 (Z*X2) on the second output of prob value 0.05 (0.115 > 0.05). From the results of eviews show that none of the significant means in the variable leverage proxied by the debt-to-equity ratio is not moderate.

The role of corporate governance on the effect of company size on company value

From the output above, it shows that the influence of Z (Corporate Governance) on Y in the first output of the prob value > 0.05 (0.8245 > 0.05) and the influence of moderate 1 (Z*X3)

on the second output of the prob value > 0.05 (0.6497 > 0.05). From the results of eviews show that none of the significant means on the variable size of the company proxied by the size firm is moderate.

The role of corporate governance on the effect of dividend policy on company value.

From the output above, it shows that the influence of Z (Corporate Governance) on Y in the first output of the prob value > 0.05 (0.0538 > 0.05) and the influence of moderate 1 (Z*X4) on the second output of the prob value < 0.05 (0.0003 < 0.05) where one of them is significant means that the variable profitability proxied by the dividend payout ratio is pure moderate.

DISCUSSION

The purpose of this study is to determine the role of corporate governance in ederivating profitability, leverage, company size and dividend policy on company value in the LQ45 Index listed on the Indonesia Stock Exchange for the 2017-2022 period.

The test results partially show the influence of each independent variable on the dependent variable as follows:

1. The effect of profitability on the value of the company.

Based on the test performed, the value of the regression coefficient was 9.65409 with a significance level of 0.0000. At a significance level less than the required 0.05. thus, it can be concluded that profitability affects the value of the company. In the first hypothesis, it was formulated that profitability affects the value of the company, the results of the study showed that profitability has a significant impact on the value of the company. so it can be concluded that H1 ie. profitability relative to firm value is accepted. The results of this study are consistent with a previous study by Nurahman and others (2018), who found that profitability has a positive effect on dividend policy. Profitability means the level of profit of the company that is expected to be realized in the future. Earnings strength is considered an important factor in valuing a company. Profit or profit is what attracts investors before investing in the shares of a company. Investors first look at the level of profitability to assess a company's value. To increase the value of the company, it is done through profit maximization (Ngurah et al., 2016).

2. The effect of leverage on the value of the company.

Based on the test performed, the value of the regression coefficient was 0.98111 with a significance level of 0.3711. At a higher than required significance level of 0.05, it can be concluded that leverage does not have a significant effect on firm value. In the case of the second hypothesis, it was formulated that financial leverage affects the value of the company, but from the results of this study it was concluded that financial leverage does not have a significant effect on the value of the company. Therefore, it can be concluded that H2, i.e. leverage to firm value, is rejected. The use of large debt leads to a decrease in the value of the company. Because most of the profits are channeled into reserve funds for debt repayment. Companies with high debt loads prioritize the well-being of their shareholders.

3. The effect of company size on company value

Based on the test performed, the value of the regression coefficient was 0.98111 with a significance level of 0.3711. At a higher than required significance level of 0.05, it can be concluded that leverage does not have a significant effect on firm value. For the third hypothesis, it was formulated that the size of the company affects the value of the company, but the results of the study showed that the size of the company does not have a significant effect on the value of the company. . thus, it can be concluded that H3, which is a measure of firm value, is rejected. Firm size plays an important role in determining firm value through a variety of mechanisms, including access to financial resources, economies of scale, stakeholder trust, and the ability to respond to market

challenges. However, other factors such as effective management, good business strategy and global market conditions also affect the value of a company. Although firm size often affects firm value, there are certain situations or circumstances where firm size may not be as important in determining firm value, the results of this study are consistent with Ramsa's 2021 study, "The Effect of Profitability, Leverage, Firm Size and Managerial Ownership." on firm value if the results show that firm size Profit, financial leverage and management ownership do not affect firm value..

4. The effect of dividend policy on company value

Based on the test performed, the value of the regression coefficient was 0.98111 with a significance level of 0.3711. At a higher than required significance level of 0.05, it can be concluded that leverage does not have a significant effect on firm value. In the fourth hypothesis, it is established that the dividend policy affects the value of the company, it was proven from the research results that the dividend policy has a significant impact on the value of the company. To conclude that H4 is a diversified policy of firm value is accepted. A company's dividend policy has a significant impact on a company's value. Dividend policy involves a company's decision to distribute some or all of its profits to shareholders, either as cash dividends or as stock dividends. The effect of dividend policy on firm value includes a number of economic factors, taxes, investment behavior and firm conditions. Management should take these considerations into account to make dividend decisions that support long-term goals and create added value for shareholders. This is in line with the Senate study The Effect of Dividend Policy on Company Value Listed on Lq-45 Indonesia Stock Market Index. When the results of the study were obtained, the results of the study show that the variable of dividend policy affects the value of the Company. The effect of both variables is positive, in this case, the increase in the value of each dividend policy also contributes to the increase in the value of the company. This means that alternative hypotheses are accepted according to the results of the generated hypothesis tests. Dividend policy variables can also describe individual firm value variables..

5. Based on the test performed, the value of the regression coefficient was 0.98111 with a significance level of 0.3711. At a higher-than-required significance level of 0.05, it can be concluded that leverage does not have a significant effect on firm value. In the fourth hypothesis, it is established that the dividend policy affects the value of the company, it was proven from the research results that the dividend policy has a significant impact on the value of the company. To conclude that H4 is a diversified policy of firm value is accepted. A company's dividend policy has a significant impact on a company's value. Dividend policy involves a company's decision to distribute some or all of its profits to shareholders, either as cash dividends or as stock dividends. The effect of dividend policy on firm value includes a number of economic factors, taxes, investment behavior and firm conditions. Management should take these considerations into account to make dividend decisions that support long-term goals and create added value for shareholders. This is in line with the Senate study The Effect of Dividend Policy on Company Value Listed on Lq-45 Indonesia Stock Market Index. When the results of the study were obtained, the results of the study show that the variable of dividend policy affects the value of the Company. The effect of both variables is positive, in this case the increase in the value of each dividend policy also contributes to the increase in the value of the company. This means that alternative hypotheses are accepted according to the results of the generated hypothesis tests. Dividend policy variables can also describe individual firm value variables

6. The role of corporate governance in moderating the effect of leverage on company value

The above result of EViews shows that the effect of Z (Corporate Governance) on Y in the first output with a probability value > 0.05 (0.4336 >

0.05) and a moderate effect of 1 (Z*X2) in the second output with probability. value > 0.05 (0.115 > 0.05). The results of the estimates show that none of the significant instruments of variable leverage processed by the debt ratio is moderate. The sixth hypothesis states that the role of the corporate governance system can reduce the impact of financial leverage on the value of the company, the results of the study revealed that the role of management cannot significantly reduce the impact of corporate governance. leverage the value of the company. corporate value. Thus, it can be concluded that H6, which is the role of corporate governance that can reduce leverage relative to firm value, is rejected. This is in line with the study conducted by Amrie (2021), where it is known that the results of the study on Corporate Governance raised by the proportion of independent commissioners also do not measure the effect of two independent variables on the dependent variable. Corporate governance plays an important role in reducing the impact of financial leverage (debt) on company value. Using leverage can affect a company's value in a number of ways, such as increasing potential shareholder returns by 120% or increasing financial risk. In this context, management can help ensure that financial leverage is used optimally and in line with the company's long-term goals. Good governance provides a framework for increasing corporate value by considering transparency, oversight, risk management and stakeholder consultation. By taking a careful and integrated approach, corporate governance can help ensure that leverage policies support corporate growth and sustainability without compromising long-term value.

7. The role of corporate governance in moderating the effect of company size on company value From the above result of EViews, it is found that the effect of Z (Corporate Governance) on Y with a probable value> 0.05 (0.8245> 0.05) in the first output and a moderate effect of 1 (Z*X3) in the second output is a probability value > 0.05 (0.6497 > 0.05). The results of the evaluations show that no significant means of changing the size of the company represented by the execution company is acceptable. In the seventh hypothesis, it was formulated that the role of governance could moderate the effect of firm size on firm value, the results of the study showed that the role of governance could not moderate the effect of firm size. 121 of enterprise value. Thus, it can be concluded that H7, i.e. the role of corporate management that can moderate company size on company value, is rejected. This is consistent with Krisnando's (2019) study, "The effect of corporate governance and firm size on firm value as a moderating variable of financial performance" (2019), which is known to be the results of a study of corporate governance practices blamed . by proportion. the indicator of independent commissioners also does not reduce the effect of the two independent variables on the dependent variable. Corporate governance plays an important role in reducing the effect of firm size on firm value. Company size can include various dimensions such as assets, revenues, number of employees, and market capitalization. In this context, the corporate governance role includes a number of key elements that help manage the impact of firm size on firm value. Good governance is the basis for managing the size of a business in a way that supports long-term value creation. By ensuring transparency, accountability and effective oversight, corporate governance can help reduce the impact of firm size on firm value, thereby creating a sustainable business environment that benefits all stakeholders.

8. The role of corporate governance in moderating the effect of dividend policy on company value. From the EViews result above, it is found that the effect of Z (Corporate Governance) on Y in the first output with a probability value > 0.05 (0.0538 > 0.05) and a moderate effect of 1 (Z * X4) in the second output < probability. value 0.05 (0, 0003 < 0.05), where one of them means that the dividend payout ratio treated variable profitability is purely moderate. The eighth hypothesis states that the role of the corporate governance

system can reduce the impact of the dividend policy on the value of the company, the results of the study showed that the corporate governance system can significantly reduce the impact of the dividend policy on the company value Thus, it can be concluded that H8, the role of corporate governance, can limit the dividend policy of the value of the acquired company. Good corporate governance is key to ensuring that the dividend policy not only maximizes short-term profits, but is also consistent with the company's long-term and sustainability goals. By combining the principles of good governance, companies can mitigate the impact of dividend policy on corporate value, create long-term value and build stakeholder trust

CONCLUSION

The conclusion of the study shows that some profitability and dividend policies have a positive and significant effect on the value of the company, while leverage and company size do not have a significant effect on the value of the company. While the interaction test (MRA) results show that corporate governance can moderate profitability and dividend policy affects company value, corporate governance cannot moderate the effect of leverage and company size on company value. These findings provide valuable insights for companies in structuring sustainability activities and shaping dividend policies related to ownership structures. It also offers policy prescriptions on the Indonesia Stock Exchange in the field of corporate financing policies.

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