The Influence of Solvability, Company Growth and Profitability on Divident Policy and Firm Value at LQ 45 Companies on the Indonesia Stock Exchange

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Abstract: This study aims to analyze the effect of solvency, company growth and profitability as well as dividend policy on firm value at LQ 45 companies listed on the Indonesia Stock Exchange (BEI). This research is an associative quantitative study and uses secondary data. Population and sample. The population in this study are manufacturing companies in LQ 45 companies which are also listed on the Jakarta Islamic Index (JII) which are still listed on the Indonesia Stock Exchange for the period 2012-2016. There are 8 companies. Determination of the sample using nonprobability sampling technique, namely purposive sampling obtained by 5 companies registered in the period 2012-2016. The criteria are a) manufacturing companies that have been and are still listed on the Indonesia Stock Exchange for the period 2012-2016, b.) Manufacturing companies that publish financial reports for the period 2012-2016, c. Companies that have positive profits during the 2012-2016 period, d. Companies that have complete financial data calculate the variables in this study during the 2012-2016 period. The analysis method used is path analysis with pruning models. The results of this study concluded that solvency has a direct effect on dividend policy, profitability has a direct effect on dividend policy, company growth does not have a direct effect on dividend policy. Solvency does not have a direct effect on Firm Value, Profitability has a direct effect on Firm Value, Company growth has no direct effect on Firm Value, Dividend Policy has a direct effect on Firm Value, Solvency has a direct effect on Firm Value through Dividend Policy and Profitability has a direct effect on Firm Value through Policy dividends and company growth do not have a direct effect on firm value through dividend policy in LQ 45 companies.

Keywords: Solvency, Company Growth, Profitability, Dividend Policy, Company Value

INTRODUCTION

The Indonesia Stock Exchange continues to grow every year. Along with its development, it is an effective means of accelerating financial growth, especially for

companies that go public. Currently, they are intensively introducing the capital market to the public so that people have the desire and awareness to invest in the capital market and become a trend of the people's lifestyle in taking advantage of business opportunities. Community participation is expected to play an active role in driving the economy. Investors in investing in the capital market must think rationally. The LQ45 index is one of the stock indices on the Indonesia Stock Exchange that calculates the average index of 45 company stocks that meet the largest market capitalization criteria and have a high level of liquidity with their trading value.

The construction, property and real estate sectors continue to grow in line with the progress of the building, infrastructure and public housing investment program. Revenue from the property sector increased by 6.9% from 2017 to 2018. Realization of tax revenue from this sector reached IDR 83.51 trillion as of 31 December 2018. The government continues to be committed to supporting the housing program through the State Budget of IDR 10.39 trillion. The Government's commitment to building infrastructure and improving connectivity throughout Indonesia has a positive impact on shares of Construction, Property and Real Estate companies. From 2015 to 2019, the government has allocated a total infrastructure expenditure of IDR 1,375 trillion.

The contribution of economic growth to the construction, property and real estate sectors is quite high, however the business index tends to be low. Economic observers say this analysis is in accordance with the statement of the Institute for Development of Economics and Finance (INDEF) economist Bhima Yudhistira Adhinegara, in 2019 business players are optimistic that the projections of the Construction, Property and Estate sector will increase. acceleration despite the insignificant growth rate in line with the development plans of both central and regional. . The construction, property and plantation sector is predicted to continue to survive given the public's need for this sector as an investment alternative to gain profits in the form of capital gains and dividends. Dividends are part of net profit after tax which is distributed to shareholders. In stock trading activities, stock price fluctuations occur. Stock prices occur because of the demand and supply of shares which are influenced by many factors, including fundamental, technical, macroeconomic and industrial factors.Dividends have an impact on share prices because they provide information or signals about the company's profitability. Dividend payments are stable over time, then the company increases the amount of dividends paid, so investors believe that management shows positive changes in the company's profitability in the future, especially for go public companies.

Dividend distribution is one of the strategies companies use to increase the company's stock price. Share prices increase along with the increase in dividends, which means that companies tend to increase dividend payments, with the hope that the company value will increase and can maximize stock prices in the future. Or management is reluctant to reduce dividend distribution, if this happens it can worsen the condition of the company in the future, so that it will reduce stock prices (Brigham and Houston, 2006: 76). Not all companies generate positive profits and can distribute dividends to shareholders. The basic reason that companies often use in deciding not to distribute dividends is because the company is experiencing serious financial difficulties so that it is impossible to pay dividends, because the company prioritizes fulfilling its obligations (debt) rather than paying dividends. Another thing is that there is a huge need for funds for very attractive

investments, so they have to withhold all their income to spend on those investments. The second reason is the assumption underlying the theory of "Residual Dividends", namely that dividends are only paid if the profits are not fully used for investment purposes, meaning only if there is "residual income" after funding new investments (Keown, 2000: 613-614). Both of these reasons are also factors that become the focus of researcher's attention. Other factors that can influence dividend distribution decisions include the capital structure and growth of the company and others. Next is a policy regarding capital structure that involves a trade off between risk and rate of return, adding debt increases the company's risk but also increases the expected rate of return. The higher the risk due to enlarging debt tends to lower the share price, although it will increase the expected rate of return. Darminto's research results (2008: 87) show that capital structure has a significant effect on dividend policy.

Dividend announcements are often considered to have informational content if the market reacts when the announcement is received. This reaction can be used as a basis for finding out whether this supports the dividend signaling theory. Dividend giving theory explains that information about dividends paid is used by investors as a signal for the company in the future. This principle of signaling shows that every action contains information. This is because of the asymmetric information. Asymmetric information is a condition in which one party has more information than the other party (Pramastuti, 2007).

In the concept of signaling theory that dividend payment will be a positive signal for management which is used to provide a picture of the future of a company based on the level of profitability that is formed, and will directly increase the value of the company as this is indicated by the increase in stock prices in the market. Dividend policy is a policy to pay dividends or not and determine the amount of dividends to be paid equal to or greater than the previous year. The dividend policy in this study is proxied by the Divident Pay Out Ratio. The amount of LQ 45 Company Dividend Payment Ratio on the Indonesia Stock Exchange continues to increase on average from 2014, 2015 and 2016 amounting to 38.95%, 44.32%, 60.09% respectively, however in 2017 it fell to 49, 97%.

The optimal capital structure is one way to increase the stock market price. Companies with a very large debt capital structure will place a heavy burden on the company so that it is necessary to maintain an optimal balance in using these two sources so that they can maximize company value (Wijoyo, 2018). The capital structure in this study is proxied by the Debt to Equity Ratio.

Debt to Equity Ratio (DER) shows the level of corporate debt, companies with large debt have large debt costs as well. The more liquid the company is, the higher the creditor's level of confidence in providing funds, so as to increase the company's value in the eyes of creditors and potential investors. The capital structure is one of the most important funding decisions for corporate welfare. The capital structure is one of the most important funding decisions for corporate welfare. Errors in decision making can increase the risk of financial distress that causes the company to go bankrupt (Wardianto, 2012). Therefore, in determining the capital structure policy, it is necessary to pay attention to the factors that influence it, one of which is the size of the company.

The growth rate of a company can also be said to be one of the factors that influence dividend distribution decisions because the faster the growth rate of a company, the greater the need for funds to finance its growth, the company is usually more likely to hold its

income than it is paid out as dividends. This means that the faster the growth rate of the company, the greater the chance of making a profit, the greater the share of revenue the company has, this means the lower the dividend payout ratio (Riyanto, 2008: 267).

The odds of dividend distribution can be predicted by several indicators. One of them is from the company's financial statements. Companies with a high growth rate opportunity usually have a high price earning ratio as well, this indicates that the market expects profit growth in the future. Maximizing the company's market value is the same as maximizing the stock market price, Lukas Setia Atmaja (2008: 4).

Profitability ratio is the company's ability to make a profit in relation to sales, total assets and own capital (Sartono, 2010: 122). In this study, the profitability ratio is measured by Return on Equity (ROE). Return on equity is a ratio that shows how much the company's ability to generate net income for return on equity to shareholders. Research conducted by Nurmayasari (2012) states that profitability as measured by Return On Equity (ROE) on firm value shows a positive and significant effect, while research conducted by Noviyanto (2008) shows that profitability is measured by Return On Equity (KIJANG) that ROE has no significant effect on firm value. A large Return on Equity (ROE) shows that the profits earned by the company are also large so that the company can pay large dividends. One of the indicators of shareholder prosperity can be seen from the Return on Equity (ROE). According to Irham (2012: 98) Return on Equity (ROE) is a ratio used to test the extent to which a company uses its resources to be able to provide return on equity. . Return on Equity (ROE) is very important for shareholders to determine the effectiveness of their own capital management and measure the rate of return on investment. Investors also use macroeconomics to predict future microeconomic conditions, so that investment decisions are made to be profitable (Tandelilin, 2010: 342). Macroeconomics can be measured from various indicators such as inflation, interest rates, foreign currency exchange rates, the money supply, gross domestic product and political economy.

The Return On Equity (ROE) of the LQ 45 company The construction, property and real estate sector in 2018 was owned by the company Waskita Karya (the Company) Tbk amounting to 16.64% and the lowest value was owned by Bumi Serpong Damai Tbk. namely 2.92% with an average value of 8.55%. This shows that companies in the construction, property and real estate sectors are still in stable condition.

Basically, the value of the company can be measured through several aspects, one of which is the market price of the company's shares because the market price of the company's shares reflects the overall investor's assessment of each equity held. The stock market price shows the central assessment of all market players, the stock market price acts as a barometer of the company's management performance. In this study, firm value is proxied by Price Earning Ratio (PER).

The following is the development of company value at LQ 45 companies listed on the Indonesia Stock Exchange which shows the development of the average fluctuating company value during 2015-2018, where in 2015-2017 it decreased from 30.30% to 29.06% and dropping back down. to 21.41% in 2018 then increased to 23.07%. Firm value is one of the motivations for investors to invest in the capital market. The information held by investors is very limited, so changes in company value will be a signal to determine the company's performance.

LITERARURE REVIEW

a) Signaling Theory

The main theory in this research is Signaling theory, in which Angrawi (2010) states that giving positive or negative signals about financial statement information to those in need is an effort to reduce information asymmetry.   Financial reporting and annual reporting are required by Bapepam in terms of protecting investors from such information asymmetry and providing opportunities for companies to obtain fair and appropriate company performance assessments that are reflected in annual reports and published financial reports.   Signaling theory is an information signal needed by investors to consider and determine whether investors will invest in the company concerned.   This signal theory is based on pragmatic accounting theory and the assumption that the information received by each party is not the same.   Dividend distribution shows a signal that the company is making a profit.

b) Dividend Procedure

According to Syamsuddin in Efni (2012: 4) dividends are payments given to company owners or shareholders for the capital they invest in the company.   Dividends are distributed to shareholders as profit from company profits.   The decision regarding the amount of profit to be distributed to shareholders as dividends is commonly known as dividend policy.   The decision to distribute dividends is a decision whether the profits earned by the company at the end of the year will be distributed to shareholders in the form of dividends or will be saved to increase capital to finance future investments (Martono and Harjito, 2010: 253).   Meanwhile, according to Suad Husnan (2005: 381), dividend policy is a decision related to the question of whether the profits earned by the company will be distributed to shareholders or will be used to increase capital for future investment financing, if the company chooses to distribute profits as dividends. .   This will reduce retained earnings and further reduce the total sources of internal financing funds, on the other hand, if the company chooses to retain the profits earned, the capacity to form internal funds will be even greater.   Dividend policy can be considered as one of the company's commitments to share a portion of the profits.   The effect of dividend policy is a signal for investors in assessing whether or not a company is good, this is because dividend policy can affect the company's stock price.   If the dividends distributed are large, then this will increase the share price which will also have an impact on increasing company value.   Factors Affecting Dividend Policy / Dividend Distribution Decisions According to J. Fred Weston and Thomas E. Copeland (2010: 127), the factors that influence dividend policy are Law (UU), Liquidity Position, Need to Pay Off Debt and Levels. Profit. .   Dividend policy is an integral part of corporate funding decisions. Every company always wants growth in its company, but on the one hand the company also has to pay dividends to its shareholders.   The higher the rate of dividends paid means less profit can be retained and consequently hinders the growth rate of its income and share price.   Dividend payout ratio is the percentage of every rupiah generated distributed to owners in cash which is calculated by dividing cash dividends per share by earnings per share.   The dividend payout ratio can be formulated by dividing dividends per share against earnings per share.   The allocation of retained earnings and dividend payments are

the main aspects of dividend policy (Aljannah, 2010). Dividend Payout Ratio (DPR) is formulated as follows:

$$Dividend\ Payout\ Ratio\ =\ \frac{Dividend\ Per\ Share}{Earning\ Per\ Share}\ x\ 100\%$$

c) Capital Structure

Capital structure is an important issue in making decisions regarding company spending. Weston & Copeland (2011, p.45) states that the capital structure is permanent financing consisting of long-term debt, preferred stock and capital, and according to Riyanto (2001, p. 296), capital structure is defined as a balance or comparison between debt and equity. long-term. The capital structure ratio in this case is proxied by the Debt to Equity Ratio. Debt to Equity Ratio (DER) is a solvency ratio that measures how much debt the company bears compared to the company's equity. According to Kasmir (2013, p. 157) "Debt to equity ratio is the ratio used to assess debt to equity. According to Harahap (2010, p. 303), "Debt to equity ratio is a ratio that describes the extent to which owner's capital can cover debts to outsiders. This is where debt plays a useful role for the company to develop its business. However, if the amount of debt exceeds the capital it has, the risk of debt borne by the company is also higher, because to assess this, a solvency ratio is needed. The debt to equity ratio reveals how the use of company funding from the capital structure owned by the company comes from long-term debt and capital from equity. Long-term creditors prefer a small DER ratio because it shows that the greater the amount of assets financed by the owners of capital, so the lower the risk of creditors which will indirectly affect the increase in share prices for the owners of capital. This ratio shows the relationship between the amount of creditors owed by the amount of capital of the company owners themselves.

d) Price to Earning Ratio (PER)

Price earning ratio (PER) shows how much money investors are willing to spend to pay each dollar of reported earnings (Brigham and Houston, 2006: 110). The use of Price Earning Ratio is to see how the market appreciates company performance, which is reflected in earnings per share. The price-earnings ratio shows the relationship between the common stock market and earnings per share. Price Earning Ratio (PER) is used to measure changes in the ability of earnings expected in the future. The greater the PER, the more likely the company will develop so that it can increase company value. The formula used to measure Price Earning Ratio (PER) is as follows:

$$PER\ :=\ \frac{Market\ Price\ per\ Share}{Earning\ per\ Share}$$

Accurate stock valuation can minimize the risk of making wrong decisions. Therefore, investors need to analyze the company's financial condition for decision making in investing in stocks. To evaluate the company's financial condition, investors can do this by calculating the company's financial ratio, namely Earning Per Share (EPS), which is the portion of the company's profit allocated for each outstanding share. Earning per Share is the most widely used indicator to assess the profitability of a company.

PER describes the company's profitability on each share. According to Brigham and Houston (2006, p.33) which Ali Akbar Yulianto translated, Earning Per Share (EPS) is net

income available divided by the number of shares outstanding. Profit is the main measure of the success of a company, therefore investors often focus on the amount of Earning Per Share. The definition of Earning Per Share (EPS) according to Kasmir (2016: 207) is a ratio to measure the success of management in achieving profit for shareholders. The higher the EPS value, the shareholders will feel happy because the greater the benefits provided to shareholders. Earning Per Share EPS is a ratio that shows the amount of profit earned from each existing share. Earnings per share will provide a very clear picture of the strength of profitability between the company concerned and its comparison company. Earning per Share or EPS, if calculated over several years, shows whether the company's profitability is getting better or worse. Investors will usually invest their funds in companies whose earnings per share continues to increase.

Earning Per Shar (EPS) formula:

$$Earning\ Per\ Share = \frac{Net\ Profit}{number\ of\ shares}$$

According to Agus Sartono (2008, p.9), share prices are formed in the capital market and are determined by several factors such as earnings per share or earnings per share, earnings to price per share or price earnings ratios, risk free interest rates as measured by the rate interest rates on government deposits and the level of certainty in the company's operations. Apart from the factors above, stock prices can also be influenced by company conditions.

According to Weston and Brigham (2009, p. 26), the factors that influence share prices are Earning Per Share (EPS), Interest Rates, Amount of Cash Dividends Given, Amount of profits earned by companies and Level of Risk and Refunds.

RESEARCH METHOD

The research method used in this research is an explanatory quantitative method with a descriptive analytic method approach. The definition of descriptive analysis method according to Sugiona (2010; 29) is a method that serves to describe or provide an overview of the object under study through data or samples that have been collected.

According to Sugiono (2010; 8) quantitative research can be interpreted as a research method based on a positive philosophy used for research on a particular population or sample, data collection using research instruments, quantitative / statistical data analysis with the aim of testing hypotheses. In this study, the indogenous variable is firm value and the indogenous variable is solvency, company growth, profitability and dividend policy.

Sources of data used in this study are secondary data, namely data sources obtained from literature such as books, journals, articles, internet, previous research, related theories and other sources related to research materials, which are used to help researchers complete this research. The source of this data is in the form of financial statements of the construction, proporty and real estate sub-sector companies on the Indonesia Stock Exchange for the 2014-2019 period through the official website www.idx.co.id.

1) ADHI (Adhi Karya Persero, tbk, 2) BSDE (Bumi Serpong Damai Tbk. 3) LPKR (Lippo Karawaci Tbk), 4) PTPP (PP (Company) Tbk, 5) PWON (Pakuwon Jati Tbk) 6)

SMRA (Summarecon Agung Tbk), 7) WIKA (Wijaya Karya (Company) Tbk), 8) WSKT (Waskita Karya (Company) Tbk).

The method used to analyze data is in the form of Path Analysis according to Agus Widarjono in the book "Applied Multivariate Analysis" (2015: 212) is a method for studying the direct and indirect effects of variables. Path analysis is a technique for analyzing causal relationships that occur in multiple linear regression if exogenous variables affect endogenous variables not only directly but also indirectly (Retherford in Ghozali, 2008). Path analysis uses path diagrams to present problems in the form of images and determine structural equations that state the relationships between variables in the path diagram (Leohin, 2004 in Juliansyah Noor 2015). Path diagrams can be used to calculate the direct and indirect effects of exogenous variables on endogenous variables, this effect is reflected in the so-called path coefficients, where the mathematical path analysis follows a structural model.

Structural Model I $Y = PYX 1X1 + PYX2 X2 + PYX3.X3 + e1$

Structural Model II $Z = PZX1 X1 + PZX3. X3 + PZY .Y + e2$

RESULT AND DISCUSSION

The path analysis used in this research is the path analysis pruning model. The pruning model is a model used to improve the path analysis structure model by removing it from the variable model whose path coefficient is not significant.

Based on the results of the path analysis test, the trimmimg model is obtained as follows:
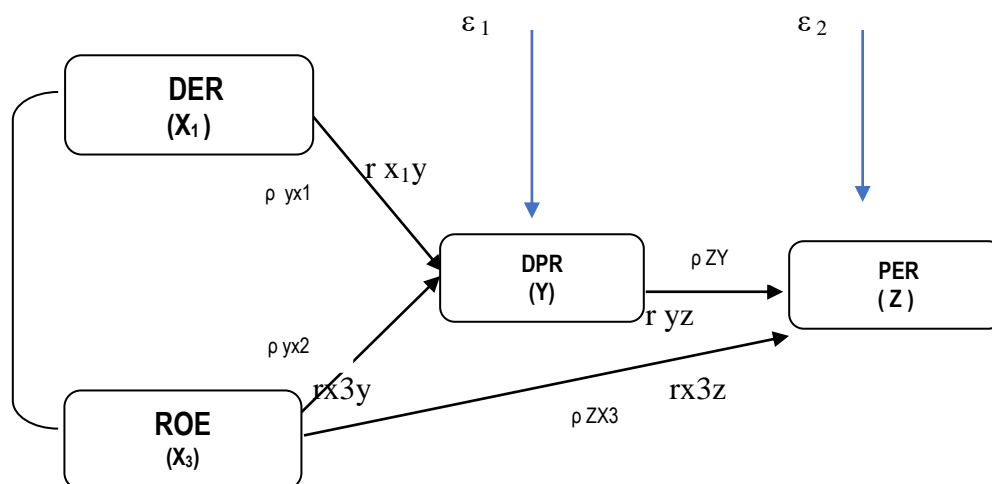
Table1. Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	,330	,080		4,097	,000
DER (X1)	-,037	,086	-,070	-,434	,007
ASET(X2)	-,032	,145	-,035	-,218	,129
R0E(X3)	-,918	,515	,290	1,781	,043

a. Dependent Variable: DPR

From table 1, it is found that the Asset Growth variable (X2) doest not significant because the sign is 0.129> 0.05 so that it is excluded from the model.

The path analysis model used is as follows:

Path diagram that states causal relationship from X1 X3, Y to Z

Path Coefficient on Sub Structure 1

Table 2. Sub Structure Coefficients -1 (x1, x3, Y)

	Coefficients[a]				
Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	,323	,073		4,400	,000
DER(X1)	-,036	,084	-,068	-,429	,041
R0E(X3)	-,938	,501	,296	1,873	,039
a. Dependent Variable: DPR					

Table 3. Model Summary Sub Struktur 1 (X1,X3,Y)

	Model Summary			
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,313[a]	,098	,049	,14152
a. Predictors: (Constant), R0E, DER				

Based on table 3, it is obtained that the equation for the sub structure 1 is obtained the equation $Y = -0.068 X1 + 0.296 X3 + \epsilon$, where the variable is significant.

The analysis results show that all path coefficients are significant, so the model in Figure 2 does not need to be corrected by the trimming model and the determinant coefficient or the contribution of X1 and X3 to Y is R Square = $R^2 YX1X3 = 0.313$, which means that 31.3% of the variation of DPR (Y) can be explained by the variation of DER (X1) and ROE (X3). The residual coefficient is $\rho y \varepsilon1 = \sqrt{(1- 0.313)} = 0.829$ which is another variable outside of X1 and X3, thus the equation for Sub Structure 1 is Y =0.068 X1 + 0.0.296 X3 + 0.829 and the path diagram is in Figure 2 below. .
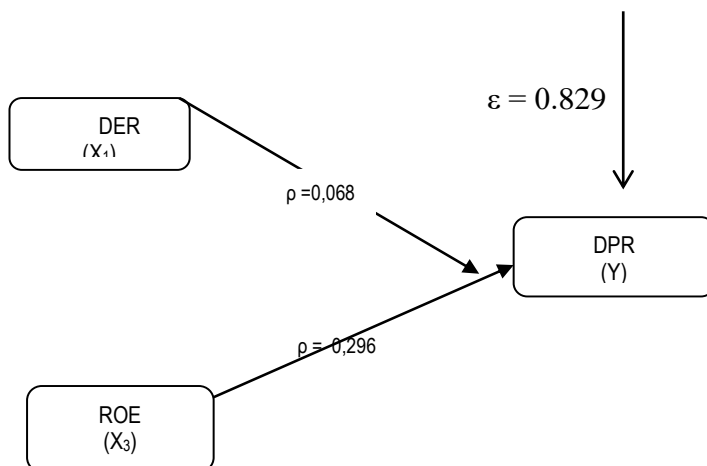
Picture 2. The Path that States
The causal relationship from X1, X3, to Y

Path Coefficient on Sub Structure 2

Figure 4 below consists of one endogenous variable, namely Z and three exogenous variables, namely X1, X3, and Y. The structural equation for sub-structure 2 is as follows

$$Z = - 0.011 \, X1 + 0.197 \, X3 + 0.299 \, Y + e.$$

The equation above shows that the DER variable path coefficient ((X1) is negative, which means that DER has a negative effect on PER, thus the smaller the company's debt, the greater the profit per share (PER) obtained. The results of data processing with SPSS version 23 are shown in table 4. below this :

Table 4. Coefficients Model 1 –Sb-Struktur 2   X1,X3, Y terhadap Z

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	,512	,140		3,659	,001
DER (X1)	-,009	,131	-,011	-,065	,058
R0E (X3)	-,933	,809	,197	-1,153	,026
DPR (Y)	-,343	,254	,229	1,349	,028
a. Dependent Variable: PER (Z)					

Table 5. Model Summary Model 1 –Sb-Struktur 2

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,253[a]	,064	,014	,21855
a. Predictors: (Constant), DPR, DER, R0E				

Table 6. ANOVA Model 1 - Sb-Struktur 2

			ANOVA[a]		
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	,117	3	,039	,818	,042[b]
Residual	1,720	36	,048		
Total	1,837	39			
a. Dependent Variable: PER					
b. Predictors: (Constant), DPR, DER, R0E					

In Table 4 above shows the results of the analysis prove that because there is insignificant path coefficient ie DER (X1) .Sub-structural relationship 2, the variableX1, X3, and Y against Z need to be fixed by the method trimming.   Improvements are made by not including the DER variable (X1), because the result of the path coefficient is not significant (0.058> 0.05), it is obtained Figure 4.3 below:
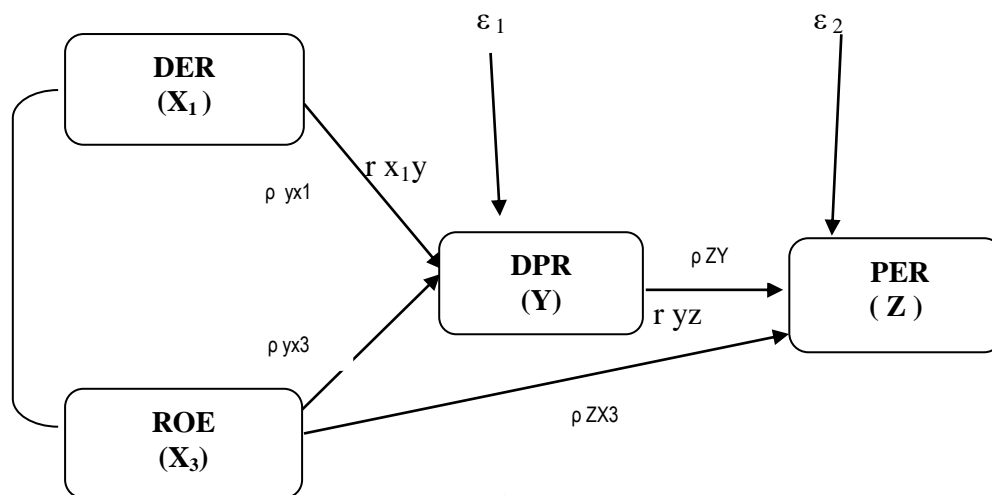
Picture 3
Path diagram that states causal relationship from X1 X3, Y to Z

The analysis results were retested without accompanying the DER variable (X1), the calculation results are in table 7. below;

Table 7. Coefficientsa Sb-Structure 2- X3, Y against Z

	Coefficients[a]				
	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig.
(Constant)	,508	,122		4,148	,000
R0E (X3)	-,939	,792	,198	1,186	,043
DPR (Y)	-,341	,250	,228	1,367	,038
a. Dependent Variable: PER					

In table 7 above, ROE and DER Sub-Structure 2 are significant respectively

Table   8. Model Summary Sb-Struktur 2-X3 , Y terhadap Z

|	Model Summary			
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,252[a]	,064	,013	,21559
a. Predictors: (Constant), DPR, R0E				

In Table 8, the determinant coefficient or contribution of X3 to Y is R Square = R2 zyX3 = 0.064, which means that 6,4%, the variation in the magnitude of PER (Z) can be explained by the variables ROE (X3) and DPR (Y).

The residual coefficient is $\rho Z\varepsilon2 = \sqrt{(1- 0.003)} = 0.1897$ which is another variable outside X3 and Y, thus the equation for Sub Structure 2 changes with the path diagram for sub-structure 2 changes in Figure 3 below.
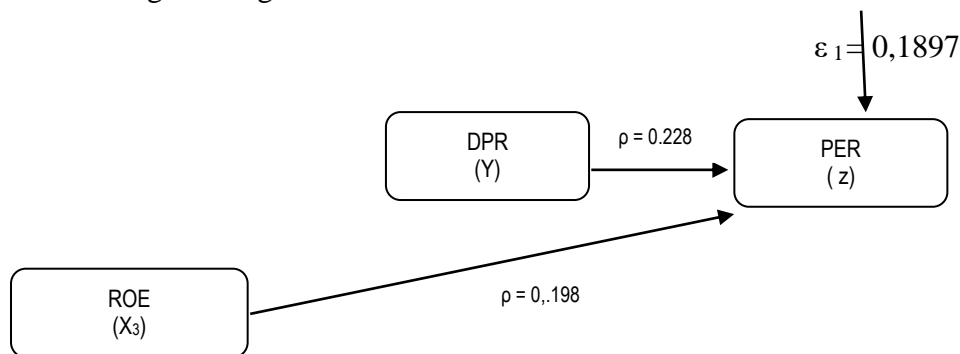
Picture 3
Sub-structure Causality Relationship-2
Variable, X3, and Y to Z

Based on the results of the path coefficients for sub-structure I and sub-structure-2, then it can be described as a whole which describes causal between variables X1, X3 and Y against Z.
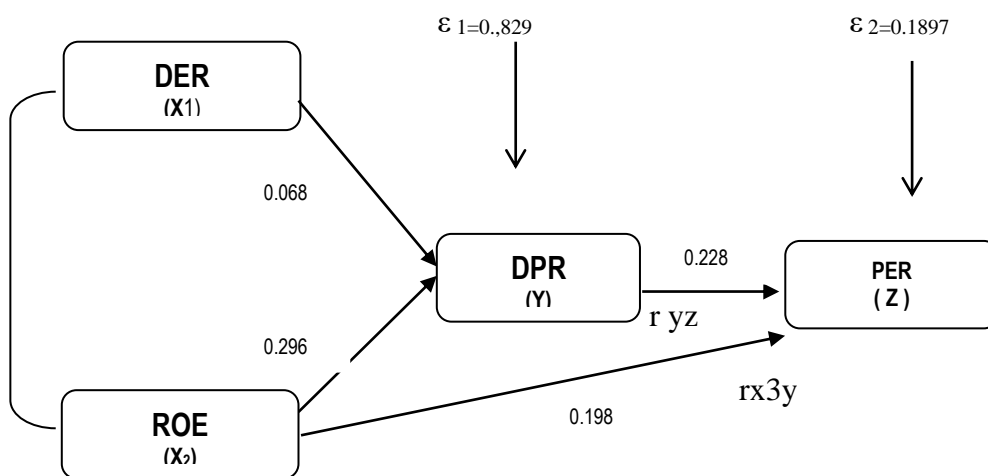
Picture 4
Sub-structure Causality Relationship -2
Variable, X1 X3, and Y to Z

The result of the path coefficients in substructure 1 and substructure 2 changes to the substrucral equation is as follows;

$$Z = 0.198\ X3 + 0.228\ Y + 0.1897\ \varepsilon2 \quad \text{and} \quad R2\ zy\ x2 = 0.064$$

b. Direct Effect

After testing the model, then testing the hypothesis to determine the direct and indirect effect between variables. The proposed hypothesis will be concluded by calculating the path

coefficient value and significance for each pathway under study against all the proposed hypotheses as follows:

1. **Direct Effects of DER on the DPR**

   DER (X1) has a direct effect on the DPR (Y)

   Hypothesis testing to prove that DER (X1) has an effect against the DPR (Y). The tested hypothesis is as follows;

   Ho: ρ yx1 = 0

   Hi: ρ yx1 > 0

   From the calculation of Table 4.2, the path coefficient value (ρ yx1) is 0.068 with t = 0.429 at α = 0.05 and sign = 0.041, so from these findings it can be interpreted that DER (X 1) has a direct effect on DPR (Y).

2. **Direct Influence (ROE) on the DPR**

   Hypothesis testing to prove that ROE (X3) has an effect against the DPR (Y). The hypothesis tested is as follows;

   Ho: ρ yx3 = 0

   Hi: ρ yx3> 0

   From the calculation of Table 4.12, the value of the path coefficient (ρ yx3) is 0.296 with t = 1,781 at α = 0.05 and sign = 0.039, then these findings can be interpreted that ROE (X3) has a direct effect on DPR (Y).

3. **Direct Effect of DER on PER**

   DER (X1) has no direct effect on PER (Z)

   Hypothesis testing to prove that DER (X1) has no effect against PER (Z). The hypothesis tested is as follows;

   Ho: ρ z x1 = 0

   Hi: ρ z x1> 0

   From the calculation of Table 4.12, the path coefficient value (ρ yx1) is 0.228 with t = 1.367 at α = 0.05 and sign = 0.038, so from these findings it can be interpreted that DER (X 1) has no direct effect on PER (Z).

4. **Direct influence of the DPR on PER**

   DER (Y) has a direct effect on PER (Z)

   Hypothesis testing to prove that the DPR (Y) has an effect against PER (Z). The hypothesis tested is as follows;

   Ho: ρ Zy = 0

   Hi: ρ Zy> 0

   From the calculation of Table 7, the path coefficient value (ρ zY) is 0.228 with t = 1.367 at α = 0.05 and sign = 0.228, so from these findings it can be interpreted that DPR (Y) has a direct effect on EPS (Z).

5. **Direct Effect of ROE on PER**

   ROE (X3) has a direct effect on PER (Z)

   Hypothesis testing to prove that ROE (X3) has an effect against PER (Z). The hypothesis tested is as follows;

   Ho: ρ Zx3 = 0

   Hi: ρ Zx3> 0

   From the calculation of Table 4.7, the path coefficient value (ρ zx2) is 0.197

with t = 1.153 at α = 0.05 and sign = 0.026, hence this finding

It can be interpreted that ROE (X2) has a direct effect on PER (Z).

c. Indirect Effect Between Variables.

1) Exogenous and Endogenous Variable Sub-Structure -1

Direct and indirect effect of DER (X1) on PER (Z).

DER (X1) has a direct effect on DPR (Y) with the path coefficient amounting to 0.068, but it has no direct effect on PER.

DER (X1) can have an indirect effect on PER (Z), namely through DPR (Y), where the direct effect of DER (X1) on DPR (Y) is obtained with a path coefficient of 0.068 and the direct effect of DPR (Y) on PER (Z) with a path coefficient of 0.228, thus the indirect effect of DER (X1) on PER (Z) with a path coefficient of 0.068 x 0.228 of 0.0155

2) Direct and indirect effect of ROE (X3) on PER (Z)

ROE (X3) has a direct effect on DPR (Y) with a path coefficient of 0.296 and has a direct effect on PER with a path coefficient of 0.197. From the results of data processing, it is obtained that the DPR (Y) has a direct effect on PER (Z) with a path coefficient of 0.296. thus the indirect effect of ROE (X3) on PER (Z) through the intermediary DPR (Y) with a path coefficient of 0.296 x 0.197 of 0.058,

CONCLUSION

1. Solvency has a direct effect on divident policy at LQ 45 companies.
2. Profitability has a direct effect on Divident Policy at LQ 45 companies
3. Company growth does not have a direct effect on divident policy at LQ 45 companies
4. Profitability has no direct effect on Firm Value at Company LQ45
5. Profitability has a direct effect on Firm Value at LQ 45 company.
6. Company growth does not have a direct effect on Firm Value at company LQ 45.
7. Dvidend policy has a direct effect on Firm Value at LQ 45 companies
8. Solvency has a direct effect on Firm Value through dividend policy at LQ 45 companies.
9. Profitability has a direct effect on Firm Value through dividend policy at LQ companies.
10. Company growth has no direct effect on firm value through dividend policy at LQ 45 companies

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