

## **DIVIDEND POLICY MODERATES GROWTH OPPORTUNITY, FREE CASH FLOW, AND DEBT POLICY ON THE FIRM VALUE**

**Fera Tjahjani** <sup>\*1</sup>

Program Studi Akuntansi, Sekolah Tinggi Ilmu Ekonomi Malangkececwara, Indonesia  
[ftjah@stie-mce.ac.id](mailto:ftjah@stie-mce.ac.id)

**Stefen Satria Tanoto**

Program Studi Akuntansi, Sekolah Tinggi Ilmu Ekonomi Malangkececwara, Indonesia  
[stevensatriat09@gmail.com](mailto:stevensatriat09@gmail.com)

**Nawang Kalbuana**

Program Studi Pertolongan Kecelakaan Pesawat, Politeknik Penerbangan Indonesia  
Curug, Indonesia  
[nawang.kalbuana@ppicurug.ac.id](mailto:nawang.kalbuana@ppicurug.ac.id)

### **Abstract**

*Purpose: This research is conducted to know the role of dividend policy as a moderating variable on the effects of growth opportunity, free cash flow, and debt policy on the firm value. Methods: Purposive sampling method was used to obtain 23 primary consumer goods companies from Indonesia Stock Exchange (IDX) for year 2018 – 2020. Analysis data: multiple regression analysis technique was used to test hypothesis. Result and discussions: growth opportunity has no effect on the firm value. Otherwise, free cash flow influence firm value positively and debt policy has negative effect on the firm value. Dividend policy cannot moderate the relationship of growth opportunity, free cash flow, and debt policy to the firm value.*

**Keywords:** *firm value, growth opportunity, free cash flow, debt policy, dividend policy.*

### **INTRODUCTION**

COVID-19 has entered Indonesia and resulted in a decline in the Indonesian economy. Minister of Finance Sri Mulyani stated in the Plenary Meeting of the House of Representatives of the Republic of Indonesia held on May 20, 2021 that Indonesia lost the opportunity to get a profit of around Rp 1,356 trillion. One of the corporate sectors affected by the COVID-19 pandemic is the consumer non-cyclicals sector. The primary needs sector is a sector with companies that contain various business fields, such as basic needs, cigarettes, to the production of processed foods which should be sectors including the defensive sector, which means that there are not many economic factors that can affect it. However, based on Indonesia Stock Exchange data, the primary consumer goods sector index fell by 15.63% year to date. Until the end of 2020, several companies still had a decline in stock performance, such as UNVR down 30.95% ytd,

---

<sup>1</sup> Coresspondence Authors

while HMSP decreased 23.26% ytd, then PT Indofood CBP Sukses Makmur Tbk (decreased by 13.05% ytd).

The changes in stock prices experienced by several companies above are one example of a reflection of the company's value (Pratiwi and Amanah, 2017). The company value is the achievement that has been obtained by the company since the company was founded, this reflects the public's trust in the company. Meanwhile, the value of a company can be affected by various factors for example interest rates, stock prices, and the fundamentals of a company. Fundamental factors of a company are often associated with conditions within the company such as the condition of the company's finances which are usually described through the company's financial performance.

Then the growth opportunities can affect the company value. One of the desires of the stakeholders is a company that can continue to keep growing in the future. Research conducted by Kusna and Setijani (2018) states that there is a noteworthy influence between growth opportunities on company value.

Then according to Anggraini and Wihandaru (2015), Free cash flow is cash that is existing after the company carries out profitable investment activities which can be one from the many factors that affecting the value of the company. High free cash flow will increase the possibility that the company can distribute profits to shareholders. Research conducted by Yuliana (2020) states that free cash flow can affect the value of the company.

In addition to free cash flow, debt policy can affect company value. Debt policy is a policy to utilize debt to fund the needs of a company. According to Septariani (2017), Proper utilization of debt can increase the company value and is preferred by the owner. Palupi and Hendiarto (2018) research said that debt policy has a positive effect on company value as in the research.

Dividend policy is the proportion of dividends to be distributed to investors derived from profit before tax which can affecting company value. This used as a moderation variable during this research with the aim of determining the ability of dividend policy to strengthen or weaken the relationship between the variables of growth opportunities, free cash flow, debt policy to the value of the company.

## **RESEARCH METHOD**

The research is quantitative casualty research that tests the growth from one variable to another with secondary data that is clearer and more structured in nature. Data collection in this study uses documentation techniques which means collecting and reviewing secondary data. The financial statements of Consumer Non-Cyclicals companies with the period of 2017-2020 are the data used in this study. The purposive sampling technique is used, which means that the researcher uses predetermined criteria to determine the research sample. Criteria used:

1. The company belongs to the consumer non-cyclicals sector which is listed on the Indonesia Stock Exchange in 2017-2020.
2. The Company published financial statements 2017, 2018, 2019, and 2020 respectively
3. Dividends are distributed consecutively during the period 2017-2020.

In this study, researchers used 5 variables which were divided into 3, namely independent, dependent and moderating variables. The Independent variable consists of growth opportunities, free cash flow, and debt policy. Company value as dependent variable and dividend policy as moderating variable.

#### 1. Growth opportunities (GO)

A growth opportunity is a company's opportunity to grow in the future. In this study, growth opportunities will be measured using the following formula:

$$GO: (Total Asset^t - Total Asset^{t-1}) / Total Asset^{t-1}$$

#### 2. Free cash flow (FCF)

Free cash flow is the excess cash flow owned by company after the company meets its operational activities and financing new investments. Free cash flow will be measured using the following formula:

$$FCF: (Operational Cash Flow - Investment cash flow) / (Total Asset)$$

#### 3. Debt Policy

The policy that the company makes that relates to how much debt the company has when compared with capital. The debt policy in this study will be measured using the following formula:

$$DER: (Total Debt) / (Total Equity)$$

#### 4. Company Value

Company value is the assessment by society on the performance of the company. It will be measured by using the following formula:

$$\text{Tobin's Q: } (Market Value Equity + DEBT) / TA$$

#### 5. Dividend Policy

Companies have different dividend distribution policies each year and not all companies divide their dividends consecutively each year. In this study, dividend policy is measured using the following formula:

$$DPR: \text{Dividend per share} / EPS$$

Linear regression and moderation regression are used to do the analysis. The simple linear analysis was used to establish the influence of growth opportunities, free cash flow, and debt policy on the value of the company. The moderation regression

analysis method is used to test the impact of moderation variables on the relationship between free variables to bound variables. Hypothesis tested using the coefficient of determination test and the t test. Whereas the T Test is used to test if there is consequence of a free variable toward bound variable.

## **HYPOTHESES**

The level of growth opportunities of the company can be a positive signal that will attract external parties to be able to invest. With the increasing opportunities company to grow, it will increase company chances of innovation and market expansion. Based on Hermawan (2018) research which said that growth opportunities affect the company value.

### **H1: Growth opportunities have a positive effect on company value**

With the existence of free cash flow, is expected that the remaining funds can be given to investors or used to pay any company's obligations in the future. Dividends given by the company can provide a positive signal for investors, this can be used by investors as material for investing in companies that will cause an increase in the value of shares. Research conducted by Zurriah (2021) states that there is an impact of free cash flow on the company value.

### **H2: Free cash flow positively affects company value.**

A company that takes on too much debt that exceeds the company's capital, leaving investors in doubts about the company in terms of fulfilling obligations in the payment of such debts and will increase the potential for bankruptcy. Research conducted by Septariani (2017) states that there is an influence of debt policy on company value.

### **H3: Debt policy negatively affects company value.**

A company's growth opportunity can be one of the investors' considerations for investing in a company. Companies that have growth in the future are expected to create higher profits. The dividend policy in this study is expected to positively strengthen the relationship between company values that are influenced by growth opportunities. Based on research conducted by Shabrina (2015) said that dividend policy can positively moderate the relationship of growth opportunities toward company value.

### **H4: Dividend policy improves the relationship between growth opportunities toward company value**

The performance of a company visible by the large value of free cash flow (Yuliana, 2020). The cash remaining from the fulfillment of the needs of the enterprise and investment activities is called free cash flow. One of the functions of free cash flow

is that it can be used as funds for business development, this is estimated will increasing company value. Based on the research from Permata et al. (2018), it shows that dividend policy can moderate free cash flow toward the company value.

**H5: Dividend Policy Improves the Relationship of Free cash flow to Company Value.**

An increase in debt can be interpreted negatively by the market because it can trigger bankruptcy. The dividend policy is estimated having a positive influence between debt policy and company value. With the dividend policy, companies that can provide dividends and have debt balanced with their capital will increase investor interest because it is considered that the company is in a healthy state and is able to use debt well and get a big profit. Research conducted by Pratiwi and Mertha (2017) stated that dividend policy variables can strengthen the debt policy influence on company value.

**H6: Dividend Policy Improves Debt Policy Relationship to Company Value.**

## RESULT AND DISCUSSION

### Findings

#### 1. Coefficient of determination test ( $R^2$ )

The  $R^2$  test that have been carried out using the SPSS 25 application are as follows: Table 1.

Table 1. Coefficient of determination test

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.472 <sup>a</sup>	.223	.185	1.028366895
a. Predictors: (Constant), X3, X1, X2				

Based on the table above, it can be inferred from Adjusted R Square is 0.185 or 18.5%, which means that the company's value variables can be influenced by the variables of growth opportunities, free cash flow, and debt policy, the remaining 81.5% is affected by other factors outside this study.

#### 2. T Test

The t-test or partial test that has been carried out using the SPSS 25 application is showed as follows: Table-2

Table 2. T- test

Model	Unstandardized Coefficients	t	Sig.
	B		
X1	2.673	1.432	.157
X2	4923.140	3.219	.002
X3	-.383	-2.819	.006
X1Z	1.740	.299	.766
X2Z	6276.766	1.467	.147
X3Z	-.107	-.332	.741

Based on the table above with a significance rate smaller than 0.05, there are two variables, namely growth opportunity (X<sub>2</sub>) and debt policy (X<sub>3</sub>), so it can be read as free cash flow (X<sub>2</sub>) and debt policy (X<sub>3</sub>) affecting company value (Y). However, there is no effect on the variable growth opportunity (X<sub>1</sub>) toward company value. Then the dividend policy cannot moderate the relationship between growth opportunities(X<sub>1</sub>Z), free cash flow(X<sub>2</sub>Z), and debt policy(X<sub>3</sub>Z) toward company value.

Based on table 2, it was obtained that the growth opportunity result had a calculated t value smaller than the table t ( $1.432 < 1.669$ ) and the significance value was 0.157, so growth opportunity has a positive impact insignificantly on company value. Based on these results, the first hypothesis is rejected. How high and low growth rate of a company cannot guarantee that investors will get the returns. The company's high growth rate will require large enough funds to finance fixed asset investments to increase growth opportunities. It is supported by Bintara (2018) research which states there is no influence of growth opportunities on company value.

Based on the t test, it is known free cash flow results have a calculated t value greater than the table t ( $3.219 > 1.662$ ) and a significant value 0.002, so free cash flow can have a positive and significant impact on the company value. The second hypothesis is accepted. By the company free cash flow, is known that company is growing and has an increasing performance. A company with a large free cash flow will have various advantages such as being able to pay creditors, carry out business development, product innovation, and distribute dividends to shareholders. Research by Zurriah (2021) also had same result, which show positive influence of free cash flow on the company value.

On table 2, t value is 2.819 which means that it is greater than the table t value of -1.669 and the significance value is 0.006, so debt policy has a significant negative effect on the company value. The hypothesis taken in the study that stated debt policy negatively affects the company value is accepted. Based on trade off theory, company's debt policy can increase company value but only to a certain degree, once that limit is passed, this debt policy can turn into a negative signal that investors took as investment considerations. The greater the debt is also mean the greater interest costs that must be borne by company, as a result of which the company should working harder to mend company's performance and able to pay off all obligations. The result is same with the research by Suryanti and Amanah (2020).

Based on table above, the value of the interaction test between dividend policy and growth opportunity raises a significant value of 0.766 so the relationship of the growth opportunity toward company value cannot be moderated by the dividend policy, then the fourth hypothesis is rejected. It is suspected that the higher growth of the company and the dividend policy cannot give any signal to the investor's assessment of a company. To reach high number of new assets in the company certainly requires a lot of funds that will affecting the company's performance. Meanwhile during the

COVID-19 pandemic investors will focus more on the company's performance so it can survive and have business continuity in the future, therefore investors will attach importance to the company's performance rather than distributing dividends which can be a risk during this time. This result is alike with research from Shabrina (2015).

Based on the data, the significant value of the dividend policy interaction test and free cash flow is worth 0.147 which means that the dividend policy is not able to moderate the relationship of free cash flow to the company's value, therefore the hypothesis is rejected. It is suspected that in the conditions of the COVID-19 pandemic, the company will make the best use of the existing free cash flow to be used as a weapon that can make the company survive in difficult times, based on this research, investors are concerned more regarding company's performance in difficult times compared to the dividend policy taken by the company. This result is alike with research results from Suwaldiman and Ramadhan (2019).

The results of hypothesis testing that can be seen in table 2 show the significance value of the interaction of dividend policy variables with debt policy of 0.741, so the relationship of debt policy and company value cannot be moderated by dividend policy, then the sixth hypothesis is rejected. It is alleged that investors do not consider dividend policies that help debt policy in making decisions in investing. This result is in line with the theory of the "Dividend irrelevance Theory" which states that the value of the company is not influenced by dividend policy, but rather influenced by the company's performance. This research result is identical with Khasanah and Aryati (2019) research.

## **CONCLUSION**

The research was conducted to test the effect of growth opportunities, free cash flow, and debt policy on company value with moderation variables, namely dividend policy. The research resulted:

1. Growth opportunity has no effect on company value.
2. Free cash flow positively affects the company's value.
3. Debt policy negatively affect the company's value.
4. Dividend policy cannot moderate the relationship of growth opportunities to company value.
5. Dividend policy cannot moderate the relationship of free cash flow to company value.
6. Dividend policy cannot moderate the relationship of the debt policy to the value of the company.

## REFERENCES

- Andy, E. Y., & Jonnardi. (2020). Pengaruh Profitabilitas, Likuiditas, Dan Solvabilitas Terhadap Nilai Perusahaan. *Jurnal Multiparadigma Akuntansi Tarumanagara*, 2, 1057–1066.
- Anggraini, D., & Wihandaru, W. (2015). Pengaruh Ukuran Perusahaan, Pertumbuhan Perusahaan, Free Cash Flow, Leverage, Profitabilitas dan Struktur Kepemilikan Terhadap Kebijakan Membayar Dividen. *Jurnal Manajemen Bisnis*, 6(2), 318–397.
- Hermawan, A. D. (2018). Pengaruh Kebijakan Dividen, Growth Opportunity dan Struktur Modal terhadap Nilai Perusahaan dengan Kepemilikan Manajerial sebagai Variabel Intervening. *Sosio E-Kons*, 10(2), 131.
- Khasanah, S. K., & Aryati, T. (2019). Pengaruh Ukuran Perusahaan, Likuiditas, Kebijakan Hutang dan Kinerja Keuangan Terhadap Nilai Perusahaan Dengan Kebijakan Dividen Sebagai Variabel Moderating Pada Perusahaan Manufaktur Di Bursa Efek. *Magister Akuntansi FEB, Universitas Trisakti*, 1(April), 15–24. [www.idx.co.id](http://www.idx.co.id).
- Kusna, I., & Setijani, E. (2018). Analisis Pengaruh Kinerja Keuangan, Growth Opportunity Dan Ukuran Perusahaan Terhadap Struktur Modal Dan Nilai Perusahaan. 6, 93–102.
- Mutmainnah, M., Puspitaningtyas, Z., & Puspita, Y. (2019). Pengaruh Kebijakan Dividen, Keputusan Investasi, Ukuran Perusahaan Dan Kepemilikan Manajerial Terhadap Nilai Perusahaan. *Buletin Studi Ekonomi*, 24(1), 18.
- Palupi, R. S., & Hendiarto, S. (2018). Kebijakan Hutang, Profitabilitas dan Kebijakan Dividen Pada Nilai Perusahaan Properti & Real Estate. *Jurnal Ecodemica*, 2(2), 177–185.
- Pamungkas, B. H., Ramadhanti, W., & Warsidi. (2017). Pengaruh Faktor Corporate Governance terhadap Nilai Perusahaan dengan Kualitas Laba sebagai Variabel Mediasi antara Perusahaan Publik di Indonesia dan Thailand. *Simposium Nasional Akuntansi XX*, 1–24.
- Permata, I. S., Nawasiah, N., & Indriati, T. (2018). Free Cash Flow, Kinerja Internal, Dan Pengaruhnya Terhadap Nilai Perusahaan. *Jurnal Liquidity*, 7, 63–69.
- Pratiwi, D. P., & Amanah, L. (2017). Pengaruh Growth Opportunity, Profitabilitas Dan Ukuran Perusahaan Terhadap Nilai Perusahaan. *Jurnal Ilmu Dan Riset Akuntansi*, 6(2), 440–455.
- Pratiwi, N. P. D., & Mertha, M. (2017). Pengaruh Kebijakan Hutang Dan Profitabilitas Pada Nilai Perusahaan Dengan Kebijakan Dividen Sebagai Variabel Pemoderasi. *E-Jurnal Akuntansi Universitas Udayana Vol.20. 2. Agustus (2017)*: 1446-1475 ISSN: 2302-8556, 20(2), 1446–1475.
- Purwitasari, D. A. (2015). Pengaruh Profitabilitas, Keputusan Investasi, Keputusan Pendanaan, dan Kebijakan Dividen Terhadap Nilai Perusahaan Manufaktur Yang terdaftar Di Bursa Efek Indonesia. *Publikasi Skripsi. Program Studi Manajemen Fakultas Ekonomi Universitas Negeri Yogyakarta.*, 1–115.



- Septariani, D. (2017). Pengaruh Kebijakan Dividen dan Kebijakan Hutang terhadap Nilai Perusahaan (Studi Empiris pada Perusahaan LQ45 di BEI Periode 2012-2015). *JABE (Journal of Applied Business and Economic)*, 3(3), 183.
- Shabrina, A. (2015). Kebijakan Dividen Memoderasi Hubungan Struktur Modal Dan Growth Opportunity Terhadap Nilai Perusahaan. *Jurnal Ilmu & Riset Akuntansi* Vol. 4 No. 10 (2015), 4(10), 1–16.
- Suryanti, F. S., & Amanah, L. (2020). Pengaruh Profitabilitas, Leverage, Free Cash Flow dan Kebijakan Dividen terhadap Nilai Perusahaan. *Jurnal Ilmu Dan Riset Akuntansi*, 9(5), 1–17.
- Yuliana, T. (2020). Pengaruh Free Cash Flow, Dan Harga Saham Terhadap Nilai Perusahaan Dengan Kebijakan Deviden Sebagai Variabel Intervening. *Prosiding Seminar Nasional Pakar Ke 3 Tahun 2020*.
- Zurriah, R. (2021). Pengaruh Free Cash Flow Terhadap Nilai Perusahaan. *Jurnal Riset Akuntansi Dan Bisnis*, 21(1), 101–106.