THE INFLUENCE OF INTERNAL AND EXTERNAL FACTORS OF THE COMPANY ON DIVIDEND POLICY AND FIRM VALUE (STUDY ON LQ45 COMPANIES IN INDONESIA STOCK EXCHANGE 2015-2017)

Ayu Diky Winarsari[1]
(ayunyu1661@gmail.com)

Sri Handini[2]
(srihandini321@gmail.com)

[1,2] *Dr. Soetomo University, Indonesia*

ABSTRACT

Changes in the method of weighting LQ45 shares on the IDX cause investment managers to tend to release issuers with low free float, even though the company's fundamentals are in stable condition. This makes dividends not the only market cosideration in buying shares. This research aims to analyze the influence of internal and external factors of the company on dividend policy and firm value, and analyze the effect of dividend policy mediating the influence of internal and external factors of the company on firm value from LQ45 Companies listed in Indonesia Stock Exchange 2015-2017 period. Judgement Samplingis used as a sample collection technique. Secondary data is form annual reports and monetary data, were analyzed using Partial Least Square (PLS) with SmartPLS v.3.2.6 software. The result of the research shows that internal factors give a significant positive effect on dividend policy, but external factors did not significantly influence dividend policy. Internal, external and dividend policy give a significant positive effect on firm value, while the company's internal factors and company external factors do not have an indirect influence on the Firm Value thtough dividend policy.

Keywords : internal, external, dividend policy, firm value

PRELIMINARY

The main objectives of the company in its finances are profitability, which is making a profit; liquidity, namely the ability to meet obligations; efficiency, that is, how productive a company uses assets and resources; and good financial stability. Shareholders are a source of corporate capital that expects profits or returns from shares both from dividends and capital gains. The majority of investors assume that the company's financial condition is good if the company increases its dividends. Vice versa, if the company makes a reduction or does not even distribute dividends, then investors will judge the company in a less good condition so that market demand will decrease. Maximizing the achievement of company goals makes the value of the company better. If the value of the company increases, the owners will be more prosperous, other than that the company's value is a reflection of the market or the community's prospects for future company performance.

Facilitating investors and other market participants to monitor the performance and movements of stock prices in an index is the purpose of establishing the LQ45 index. The new method used as the LQ45 index stock weight calculation on the IDX is the free float-adjusted index starting in the first semester of 2019. Before the addition of the new weighting method, the selection of 45 shares was seen from liquidity and fundamental factors.

The impact of these changes is felt before the method is realized. Investment managers tend to release shares from issuers that have a low free float, whereas in terms of the company's fundamentals are not affected by these methods, the profits obtained remain stable and dividends remain distributed to shareholders. This is not under what was stated by Sudana (2011: 170) because shareholders like current income so that the market reacts to information on dividend announcements, then dividends have a positive effect on the company's value or the market price of the company's shares.

Many studies of company value have inconsistent results. Among them are Inflation, DER, Size, ROE (Arvianto et al, 2014); and ROA (Sumanti and Mangantar, 2015) proved to have a significant effect on firm value. According to Agustina and Ardiansari's research (2015), External factors which are proxied by inflation and the exchange rate; Size (Suwarsika and Musatanda, 2017); ROA (Hermawan and Maf'ulah, 2014); and EPS (Hasibuan et al., 2016) had no significant effect on firm value.

Based on the phenomenon and research gap that occurs, the authors are motivated to analyze the influence of company internal factors and company external factors on dividend policy and company value in LQ45 companies listed on the Indonesia Stock Exchange in the 2015-2017 period.

THEORETICAL FRAMEWORK
The Value of the Company
Maximizing the value of the company for the prosperity of shareholders is the main objective of financial decisions. For prospective shareholders, financial statements can be used as a tool to assess the performance and development of a company. Good company performance or not will affect the decision of investors to inject funds. According to Sartono (2010: 23-24), Selling the value of a company as a business that is operating is an understanding of the value of the company. Indicators in measuring company value according to Sudana (2011: 23-24) are Price Earning Ratio (PER) and Price to Book Value (PBV).

Dividend Policy
One part of spending decisions is dividend policy which is influenced by the company's internal funding sources or retained earnings. The smaller the dividend paid to shareholders, the greater the retained earnings for operational activities to develop the company, and vice versa. According to Prastowo (2011: 104-105), the ratio for measuring dividend policy is Dividend Yield (DY) and Dividend Payout Ratio (DPR).

Company Internal Factors
The company's internal factors in the financial aspect, are important aspects related to company profits. Various financial ratios are calculated based on financial data under standards that have been determined or that have been audited to determine the company's financial position in a healthy

condition or not. The measurement used in the company's internal factors is ROE, DER, EPS Firm Size and ROA.

Company External Factors

In addition to internal factors, the company's value can be influenced by external factors. The following are the indicators used in this study:

a. Inflation is a tendency for prices to rise continuously (Latumaerissa, 2011: 22). An increase in price can be said to be inflation if it covers all types of goods.

b. Interest rate is a measure of the price of resources used by debtors to be paid to creditors (Sunariyah, 2013: 80).

c. According to the Big Indonesian Dictionary (KBBI), the exchange rate is the value of a currency expressed in terms of other currencies or the price of one country's currency in another country.

Prior Research

1. Arvianto et al, (2014) with the title Effect of Macro and Micro Fundamental Factors on Company Value in the Trade, Services, and Investment Sector. Knowing the influence of macro fundamentals on micro fundamentals as well as the influence of macro and micro fundamentals on firm value is the aim of this study. The method used is PLS. The results showed that macro fundamental factors had a negative and significant effect on micro fundamental factors, macro and micro fundamental factors affecting the value of the company.

2. Research by Sumanti and Mangantar (2015) with the title: Debt and Profitability Policies on Dividend Policies and Firm Value in Manufacturing Companies listed on the IDX. The purpose of this study was to determine the effect of managerial ownership, debt policy, and profitability on dividend policy and company value, and the effect of dividend policy on firm value. The method used is Path Analysis. The results showed managerial ownership has a significant effect on dividend policy, and profitability has a significant effect on firm value. Debt policy and profitability have no significant effect on dividend policy, debt policy and dividend policy have no significant effect on company value.

3. Agustina and Ardiansari (2015) with the title Effect of Macroeconomic Factors and Financial Performance on Company Value. This study aims to determine the effect of macroeconomic and financial performance on firm value. The method used is multiple regression. The results showed that DER affects the value of the company. while inflation, exchange rates, and ROE do not affect the value of the company.

4. Samrotun (2015) with the title Dividend Policy and Factors Affecting it. The purpose of this study was to determine the effect of partially and simultaneously ROA, CR1, CR2, DER, growth, and firm size on dividend policy. The method used is multiple regression. The results of this study indicate that ROA, CR2, and DER partially influence dividend policy, while CR1, growth, and firm size do not affect dividend policy. Based on simultaneous results indicate that all variables affect the dividend policy.

Conceptual Framework
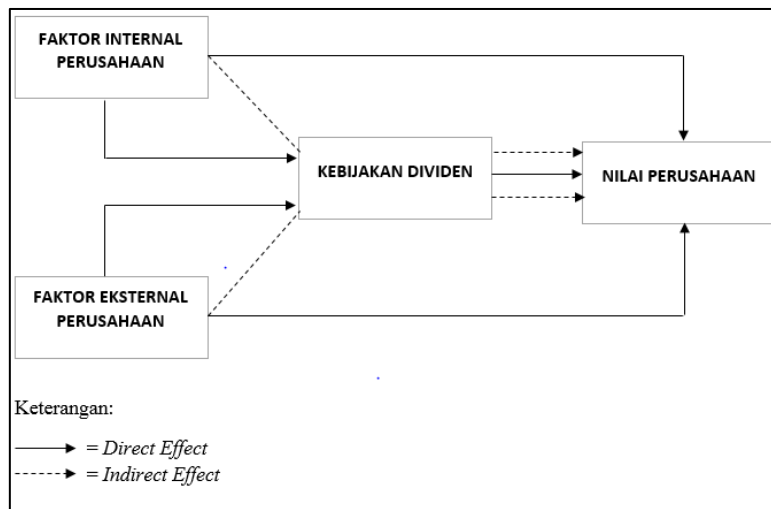
Sumber: Diolah Peneliti
Gambar 1. Kerangka Konseptual

Hypothesis

There are the hypotheses in this study:

1. It is suspected that the Company's Internal Factors influence the Dividend Policy.
2. It is suspected that the Company's Internal Factors affect the Company's Value.
3. It is suspected that the Company's External Factors affect the Dividend Policy.
4. It is suspected that the Company's External Factors affect the Company's Value.
5. Allegedly Dividend Policy affects the Value of the Company.
6. Allegedly Dividend Policy mediates the influence of the Company's Internal Factors on Company Value.
7. Allegedly Dividend Policy mediates the influence of the Company's External Factors on Company Value.

RESEARCH METHODS

This research is a quantitative study and the location of this research is the LQ45 Company in the Indonesia Stock Exchange in the period 2015-2017. From a population of 54 companies, it produces 21 companies as samples with judgment sampling as a sampling technique, which is a way of taking samples with certain considerations or characteristics. The type of data used is quantitative data sourced from secondary data, namely data sources obtained from www.idx.co.id, www.bi.go.id, and www.sahamok.com. Documentary techniques are used in annual data collection reports, monetary data, and dividend announcements.

Variable Identification and Variable Indicators

Here is a table to calculate the measurements used in each exogenous and endogenous variable:

Table 1. Research Variables and Indicators

Variabel	Notasi	Nama Indikator	Pengukuran	Skala	Refrensi
(X1) Faktor Internal Perusahaan	X1.1	ROA	$\dfrac{EAT}{Total\ asset}$	Rasio	Sudana (2011:22)
	X1.2	ROE	$\dfrac{EAT}{Total\ equity}$	Rasio	Kasmir (2015:204)
	X1.3	EPS	$\dfrac{EAT}{Jumlah\ saham\ beredar}$	Rasio	Kasmir (2012:207)
	X1.4	DER	$\dfrac{Total\ Utang}{Ekuitas}$	Rasio	Kasmir (2015:158)
	X1.5	*Firm Size*	Ln *Total asset*	Rasio	Jogiyanto (2010:182)
(X2) Faktor Eksternal Perusahaan	X2.1	Kurs	Kurs tengah BI (Ln)	Rasio	Bank Indonesia
	X2.2	Inflasi	Inflasi (Indeks Harga Konsumen) (Ln)	Rasio	Bank Indonesia
	X2.3	Bunga	*BI & BI 7-Day Repo Rate*	Rasio	Bank Indonesia
(Y1) Kebijakan Dividen	Y1.1	DY	$\dfrac{Dividen\ per\ lembar\ saham}{Harga\ per\ lembar\ saham}$	Rasio	Prastowo (2011:105)
	Y1.2	DPR	$\dfrac{Dividen\ per\ lembar\ saham}{Earning\ per\ share}$	Rasio	Prastowo (2011:104)
(Y2) Nilai Perusahaan	Y2.1	PER	$\dfrac{Market\ price\ per\ share}{Earning\ per\ share}$	Rasio	Sudana (2011:23)
	Y2.2	PBV	$\dfrac{Market\ price\ per\ share}{Book\ value\ per\ share}$	Rasio	Sudana (2011:24)

Source: Bank Indonesia and Various Reference Books

Data Analysis

Models with many dependent and independent variables (complex models), so that the data analysis method used is more efficient is Partial Least Square (PLS) on the smartPLS software. According to Noor (2014: 144) The advantages of the PLS method are data with ordinal scale, categories and intervals even ratios do not have to be multivariate normally distributed and the sample size does not have to be large.

1. Validity Test

   The validity test used in this study was the Convergent Validity Test which was carried out with two parameters, namely:

   a. Outer loading parameter ≥ 0.70

   b. Parameter Average Variance Extracted ≥ 0.50

2. Reliability Test

   This study uses two methods to test the reliability of a model, namely Cronbach's alpha and Composite reliability with each rule of thumb more than 0.70.

3. Model Suitability Test (Goodness of Fit)

$$Q^2 = 1 - (1 - Nilai\ Perusahaan)(1 - Kebijakan\ Dividen)$$

4. Hypothesis Test

   To predict causal relationships between variables or commonly called hypothesis testing a structural model test can be performed, which is to see the t-statistic value ≥ 1.96; p-value ≤ 0.05 for 95% confidence level (alpha 5%); Significant

5. Classification of Mediation Effects
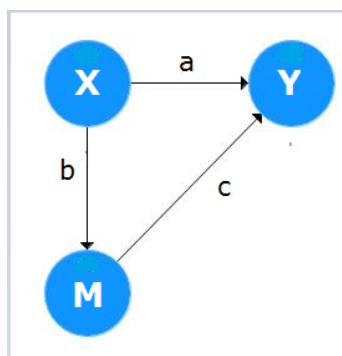
Sumber: Zhao *et al* (2010)

Gambar 2. *Ilustration Mediation*

The classification of mediation effects can be seen from the value of direct effects and indirect effects on the output structural model. Here are five mediation groups according to Zhao (2010), sig ≥ 1.64:

   a. Complementary (partial mediation) if bxc is significant, a is significant and axbxc is significant

   b. Competitive (partial mediation) if bxc is significant, a is significant, but axbxc is not significant

   c. Competitive (partial mediation) if bxc is significant, a is significant, but axbxc is not significant...

   d. *Direct-Only (no mediation) tilapia bxc is not significant, but a significant*

   e. *No Effect (no mediation) if bxc is not significant and a is not significant.*

HASIL DAN PEMBAHASAN
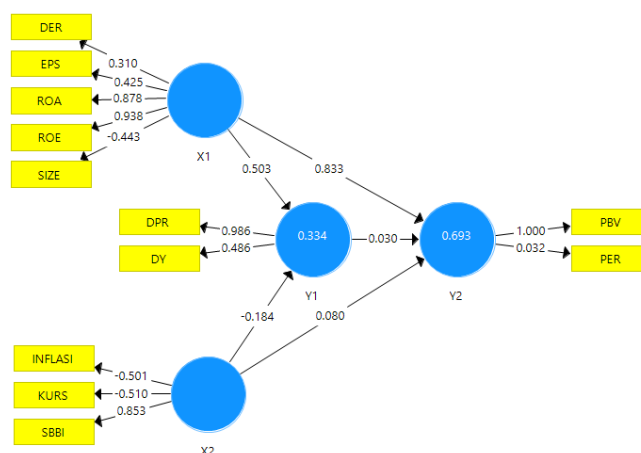
Sumber: *Output* SmartPLS, 2019

Gambar 3. Output Model Sebelum *Dropping*

Based on the results of the model output in Figure 3, it is known that the construct in a model has not yet been formed, this is due to the value of some invalid indicators according to the convergent validity test. In Partial Least Square the reflective form, if the outer loading value is less than equal to 0.70 then the invalid indicator is excluded from the model. The issuance of indicators in the model is done in stages, namely by issuing one indicator that is not appropriate and then recalculated. This stage is repeated if the model has not yet been formed until the correlation values of all indicators meet the requirements. Here is a picture of the model that has been done dropping:
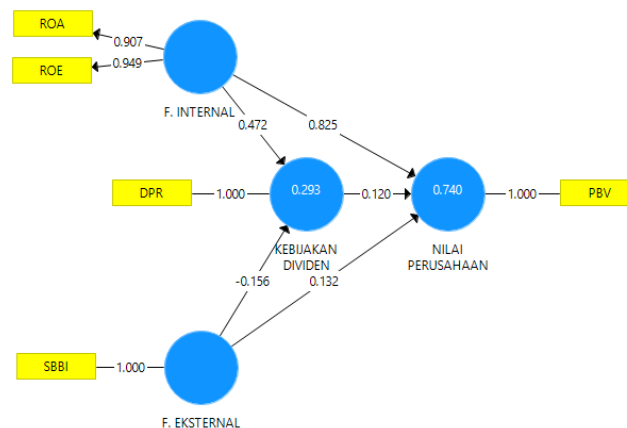
Sumber: *Output* SmartPLS, 2019
Gambar 4. Output Model *Fit*

Based on figure 4. The indicators forming the company's internal factors are ROA and ROE, while the indicators forming the company's external factors are SBBI. The indicator forming the dividend policy is the DPR and the indicator forming the value of the company is the PBV. Measurement of DER, EPS, Firm Size, Inflation, Exchange Rate, DY, and PER were excluded from the model because they proved to be insignificant and contributed little in shaping the variable construct. Next is the discussion of dropping measurement:

1. *Debt to Equity Ratio*
   The alleged DER conducted dropping is the amount of debt burden borne by the company that can reduce profits for investors. Funding provided by shareholders will also be reduced. This is supported by the results of research by Prawira, et al (2014) and Sumanti and Mangantar's (2015) results which state that leverage or debt policy and size do not affect dividend policy.

2. *Earning Per Share*
   In general, the higher the value of EPS, the higher the profit the investor will get. However, EPS that has increased does not mean that the company is always good. Investors who often conduct fundamental analysis will go deeper and find out where the sources of profit increase are and assess the quality of those profits. The EPS indicator is conducted dropping, it is assumed that the profit does not come entirely from the company's operational activities, but profits from outside operational activities such as subsidiary divestment, foreign exchange differences, or tax restructuring and so on.

3. *Firm Size*
   A company with a small scale of assets does not mean that the company is less good or less attractive to investors. If the assets are large but the company is not able to manage the company well so the profit quality is not good, the investors do not have the interest to buy shares in the company. Firm Size is done dropping allegedly because investors pay less attention to the assets

of the company, but rather from how the company's performance. Research conducted by Suwardika and Mustanda (2017) states that if an investor wants to judge a company, he will not look in terms of the size of the company, which is reflected through the total assets owned by the company. Investors in planning to buy shares are also very concerned about the company's performance from financial statements, the company's good name, and dividend policy

4. Inflasi

It is suspected that the inflation carried out by dropping is that the inflation rate in the study period is not too high, namely an average of below 10%. So it does not really have an impact on capital market trading. A good company is basically considered good even though the inflation conditions change. This is in line with research conducted by Kewal (2012) an increase in the inflation rate below 10 percent will not disrupt the stability of the capital market.

5. Kurs

Instability or instability or increase and decrease in the value of foreign currencies have an impact on the production and sale of goods/services using foreign currencies. The exchange rate is carried out by dropping it is suspected that LQ45 companies, especially multinational companies, have hedging to avoid the risk of fluctuations in currency exchange rates. This result is in line with research conducted by Agustina and Ardiansari (2015) which states that inflation and an increased exchange rate have no significant effect on firm value.

6. *Dividen Yield*

During the research period, issuers included in the LQ45 index are companies that tend to be large and well-established. For investors, dividends per share do not become the main reference to see the level of profits. Investors will argue that large companies tend to no longer need funds to hold so that the profits distributed to shareholders are greater. It is suspected that the dividend yield is carried out dropping because investors prefer to see how much the level of profit is distributed to investors through the DPR ratio. This is following Sudana's theory (2011: 167) which states that the dividend policy is related to the determination of the amount of the dividend payout ratio, which is the percentage of net profit after tax distributed as dividends to shareholders.

7. *Price Earning Ratio*

PER has the same function as PBV, which is to see whether a company's stock is feasible or not to be bought. A low PER does not necessarily indicate that the stock price is cheap because a low PER is caused by low-profit growth that the market responds to so that prices fall. It is assumed that PER is carried out dropping because to assess the company can be represented by the PBV ratio.

Validity Test, Reliability Test and Model Feasibility Test

Tabel 2. *R-Square Construct Reliability and Validity*

	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)	R-Square
F. INTERNAL	1.000	1.000	1.000	
F. EKSTERNAL	0.843	0.926	0.862	
KEBIJAKAN DIVIDEN	1.000	1.000	1.000	0.293
NILAI PERUSAHAAN	1.000	1.000	1.000	0.740

Sumber: Hasil Output PLS *Agorithm,* 2019

Based on the results of AVE in table 2. above, shows that all variables have an AVE value of more than 0.5 which means that all variables are said to be valid. The reliability test is seen from the Cronbach's alpha value and the composite reliability in table 2. shows that each variable is above 0.70, (reliable).

Model suitability test (goodness of fit) using the Q-Square equation, the following calculations:

$$Q^2 = 1 - (1 - 0.740)(1-0.293)$$
$$= 1 - (0.260)(0.707)$$
$$= 0.816$$

Based on the Q-Square calculation above, it shows that the ability of exogenous variables in explaining the variance of the endogenous variables is 81.6% and 18.4% (100% - 81.6%) explained by other factors outside the variables in this study.

Hypothesis testing

Tabel 3. *Path Coeficient* dan *Specific Indirect Effect*

	Original Sample	Sample Mean	Standard Deviation	T-Statistic	P-Values
IN → KD	0.825	0.851	0.049	16.824	0.000
IN → NP	0.472	0.480	0.128	3.695	0.000
EX → KD	-0.156	-0.151	0.094	1.659	0.098
EX → NP	0.132	0.124	0.061	2.175	0.030
KD → NP	0.120	0.099	0.053	2.264	0.024
IN → KD → NP	0.057	0.047	0.030	1.889	0.059
EX → KD → NP	-0.019	-0.016	0.014	1.353	0.177

Sumber: Hasil Output *Bootstrapping,* 2019

In Partial Least Square, a partial hypothesis (hypotheses 1-5) is tested from the path coefficient or inner model values. The hypothesis with mediation (hypotheses 6-7) can be seen from the value of the specific indirect effect. Based on table 3 can be explained as follows:

Internal Factors on Dividend Policy

The results of the beta coefficient are positive at 0.825, with a T-Statistics value of 16,824 and a P-Value of 0,000. Hypothesis 1 Accepted. The results show that the Company's Internal Factors have a significant positive effect on the Dividend Policy, This supports research conducted by Samrotun (2015) and Prawira, et al (2014) that the Company's Internal Factors affect the Dividend Policy. The results of this study differ from research conducted by Sumanti and Mangantar (2015) which shows the results of internal variables that are proxied by profitability do not significantly influence dividend policy.

Management in determining a dividend policy is strongly influenced by the function of the company's internal factors, especially in terms of profitability. The more effective and efficient use of assets or capital management, the higher the company's ability to obtain profits. Share of the company's net profit will be paid to shareholders as dividends. If profits are greater, the possibility of dividend distribution is also greater.

Internal Factors of Company Value

The beta coefficient value is positive at 0.472, with a T-Statistics value of 3,695 and a P-Value of 0,000. Then hypothesis 2 is accepted. The results show that Internal Factors have a significant positive effect on Company Value. The results of this study are in line with research conducted by Sumanti and Mangantar (2015); Samrotun (2015); Samosir (2017); and Hasibuan, et al (2016) who say Internal Factors are proxied by ROA and ROE affect the firm value.

This study is also the same as the results of research conducted by Suwardika and Mustanda (2017) which states that the higher the value of profitability will have an impact on increasing the value of the company. This result does not support the research of Hermawan and maf'ulah's (2014) which states that the company's internal factors which are proxied by ROA do not affect the Company's Value.

The company is considered good if the company has a high level of profitability because profitability shows good prospects in the future. High profitability will attract the attention of investors because a good company is a company that can provide benefits.

External Factors of Dividend Policy

The results of the beta coefficient are negative for -0.156, with a T-Statistical value of 1.695 and a P-Value of 0.098, then hypothesis 3 is rejected. The Company's External Factors have no significant effect on Dividend Policy. This result is in line with research conducted by Chandra, et al (2018) and Ardiyanti (2015) which states that the exchange rate and inflation do not affect the DPR.

High inflation will generally have an impact on sales and production costs which will cause company profits to decline, so the distribution of dividends also decreases. Based on table 4.4 it can be seen that the rate of inflation has decreased in 2016 by a difference of 0.33 then increased in 2017 by a difference of 0.59.

The ups and downs in the value of this inflation did not cause the company's sales to fluctuate. This is indicated by the average net income of LQ45 companies which has increased from 2015 to 2017. Where the average EQ of LQ45 companies in 2015 was 3,870 billion, then increased in 2016 to 4,618 billion to 5,381 billion in 2017.

External Factors of Company Value

The beta coefficient is positive at 0.132, with a T-statistic value of 2.175 and a P-value of 0.030. Hypothesis 4 Accepted. The results show that the Company's External Factors have a significant positive effect on Company Value. The results of this study are the same as the research conducted by Arvianto, et al (2014) who said that macro fundamental factors have a positive and significant effect on firm value.

An increased SBBI will trigger an increase in loan (credit) interest rates. With an increase in bank interest rates, the company will also increase the price of goods/services sold. If the selling price rises, the company's profit will also increase, while the source of the company's capital will not only come from debt, but also its capital, the company will reduce the source of debt capital, but the selling price will remain high so that it can increase profits. The majority of investors think the company is in good condition if it can increase profits.

Dividend Policy on Company Value

The results of the beta coefficient are positive at 0.120, with a T-Statistical value of 2.264 and a P-Value of 0.024, then hypothesis 5 is accepted. It can be seen that the Dividend Policy has a significant positive effect on Company Value. These results support research conducted by Arvianto, et al (2014). This result is also consistent with the Bird in the hand theory, which is that dividend policy has a positive effect on stock market prices. (Gordon and Lintner; in Sudana, 2014: 169). the results of this study differ from research conducted by Sumanti and Mangantar (2015) which states that dividend policy does not affect firm value.

The aim of investors to invest their capital in a company is to get profits, one of them is from dividends. In financial logic, the higher the dividends distributed, the higher the investor's value to the company.

Dividend Policy mediates Internal Factors of Company Value

The results of the beta coefficient are positive at 0.057, with a T-statistic of 1,889 and a P-value of 0.059. Then hypothesis 6 is rejected. These results indicate the Dividend Policy is not able to mediate the influence of the Company's Internal Factors on Company Value. Dividends do not always represent the state of the company. Companies that do not distribute dividends are not necessarily bad companies. Companies that have high profitability allow profits to be high, high profits can be retained for operational activities in order to develop the company in order to obtain even greater profits.

This is consistent with research conducted by Sumanti and Mangantar (2015) which states that dividend policy is not able to mediate the effect of profitability on firm value.

Dividend Policy Mediates External Factors for Firm Value

The results of the beta coefficient are negative for -0.019, with a T-Statistics value of 1.353 and P-Value of 0.177. Hypothesis 7 Rejected. In this study, it is known that Dividend Policy is not able to mediate the influence of External Factors on Firm Value significantly. This study states that external factors do not affect dividend policy or firm value. By making dividend policy as a mediator between the company's external factors and the company's value, it still does not make the external factors affect the company's value.

Sudana (2011: 82) argues that investors ultimately have an interest in what can be purchased with the money from their investments, therefore investors demand compensation for inflation. If the increase in production costs is higher than the increase in inflation, then the company is considered unfavorable by investors (Ardiyanti, 2015). However, based on the descriptive analysis it is known that during the period, the inflation rate fluctuates but does not make the company value seen from the ratio of Price Earning Ration decreased every year.

Classification of Mediation Effects

Based on Figure 4. The direct and indirect effects can be calculated as follows:
a. *Direct Effect*
   1) Effect of Internal Factors on Dividend Policy = 0.472

2) Effect of Internal Factors on Company Value = 0.825
3) Effect of External Factors on Dividend Policy = 0.156
4) Effect of External Factors on Firm Value = 0.132
5) Effect of Dividend Policy on Firm Value = 0.120

b. *Indirect Effect*
- Effect of Internal Factors on Company Value through Dividend Policy Indirect effect = 0.472 x 0.120 = 0.056 (not significant)
  Direct effect = 0.825 (not significant)
  Based on the above calculation, the mediation between the Internal Factors to the Value of the company is No Effect (No Mediation)
- Effect of External Factors on Company Value through Indirect Policy = 0.156 x 0.120 = 0.018 (significant)
  Direct effect = 0.132 (not significant)
  Based on the above calculation, the mediation between the External Factors to the Value of the company is Indirect-Only (full mediation).

CONCLUSIONS AND SUGGESTED RESEARCH

The results of this study can be concluded that internal factors have a significant positive effect on dividend policy, but internal factors do not significantly influence dividend policy. Internal factors, external factors, and dividend policy have a significant positive effect on company value, but internal and external factors do not have a significant effect if through dividend policy.

In connection with the results of this study, researchers can provide suggestions for future researchers to use intervening variables that can mediate internal and external factors on company value, such as price and stock returns; add other variables and indicators such as CR, ROI, DER and Tobin's Q; expanding the company sector and using longer research periods so that results can be generalized and more accurate. Millennials are vulnerable to information overload, so use the latest references to make it more actual and cultural to use your thinking to avoid plagiarism.

Investors are advised to pay attention to the quality of earnings of a company to be able to see the prospects of the company because high operating profits show more certain benefits. For foreign investors or investors who have an interest in investing their capital in companies that transact using foreign currencies, pay more attention, and take into account the company's external factors.

For company management, it is recommended to reduce the value of debt capital, because the higher the value of DER, especially if it is worth more than 100%, the company is considered very unhealthy. Company management should also pay attention to the welfare of investors so that investors' interest in the company is higher and the company has a higher source of capital.

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