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The Effect Of Corporate Governance Structure And Financial Decisions On Firm Value: Dividend Policy As A Mediating Variable

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ABSTRACT:- Factors that can affect the optimization of company value can be achieved through the implementation of financial management functions, where one financial decision taken will affect other financial decisions and have an impact on the value of the company. Efficient financial management requires several goals or targets, because the assessment of whether a financial decision is efficient or not must be made based on several standards. The company's goal is to maximize the wealth of the company's owners. The normative goal of a company is to maximize the value of the company or wealth for shareholders, in the short term for companies going public is reflected in the market price of the company's shares in the capital market.
This study is a quantitative explanatory study, to obtain clarity on the phenomena that occur in the empirical world and try to get answers, which aims to explain the causal relationship between variables through data analysis in order to test the hypothesis.
Research results: The Effect of Corporate Governance Structure on Dividend Policy, The Effect of Financial Decisions on Dividend Policy, The Effect of Corporate Governance Structure on Company Value, The Effect of Financial Decisions on Company Value. Financial decisions have a significant effect on company value, The Effect of Dividend Policy on Company Value. Dividend policy shows a negative effect on company value, The Effect of Corporate Governance Structure through Dividend Policy Mediator on Company Value. Corporate governance structure through dividend policy does not show a significant influence on company value, The Influence of Financial Decisions through Dividend Policy Mediators on Company Value. Financial decisions through dividend policy also do not show a significant influence on company value

Keywords: *corporate, dividend, governance, value, structure*

I. INTRODUCTION

The duties and obligations of company managers, in this case financial managers, are to achieve company goals that have been determined previously with a policy or decision made. The company's objectives in financial management are divided into two, namely short-term and long-term, short-term goals optimise company profits, while long-term goals optimise company value. Through increasing the prosperity of investors or shareholders, the higher the company value, the greater the prosperity that will be received by the company owners or investors (McSweeney, 2008).

Companies that only prioritise short-term goals usually have poor performance in shareholder returns. In addition, the drawback of maximising profits is that companies ignore the growth of activities, social, and only focus on profits or profits and ultimately ignore the interests of investors in this case shareholders (Kariyoto, 2018). For this reason, this study emphasises its discussion on long-term goals, which are the expectations of company owners, usually reflected in the increase in stock prices in the market, known as stock value or company value.

The company's long-term goal is to optimise the company's value (Alamsyah, 2016). The company's value will be reflected in its stock price (Puspitaningtyas, 2017). Stock prices in the capital market are formed based on an agreement between investor demand and supply, so that the stock price is a fair price that can be used as a proxy for firm value (Suardana et al., 2020). Stock returns are a reflection of the ability of a business unit to generate profits by using company resources efficiently, so that the higher the company's profits, the higher the company's value will be (Tui and Afriyani;, 2019).

Company value is the hope of the company owner, because if the company value is good, the welfare of the company owner will also be good. Company value can be created if the company can maximise stakeholder prosperity (Kariyoto, 2018). Stakeholders include labourers or employees and management, creditors, suppliers, shareholders, government, and even the community around the company. The company cannot maximise shareholder wealth if it ignores the interests of the parties mentioned above, because it will have an impact on company value.

Firm value can provide prosperity or profit for shareholders. Company value is reflected in the stock price. The company's share price reflects the investor's valuation or the overall equity owned by the company. The higher the share price, the higher the shareholder's profit, so this situation will be in demand by investors with the demand for the company's shares causing the share price to rise. Stock price is something that investors must pay close attention to before investing. This is because the share price illustrates the performance of a company that sells securities. The share price is also used as an indicator of investor assessment in assessing the company's success in achieving its goals, where the intended goal is to maximise company value. The greater the share price, the higher the company value and vice versa (Purnamasari, 2015).

Firm value is still an important and interesting research object because firm value is one of the attractions of investors in making investment decisions with the aim of obtaining results from their investment in the company or entity. To measure the rise and fall of company value, one of them is from Price Book Value (PBV) (Komarudin and Affandi, 2019).

Factors that can affect the optimisation of firm value can be achieved through the implementation of financial management functions, where one financial decision taken will affect other financial decisions and have an impact on firm value (Triani and Tarmidi, 2019). Efficient financial management requires the existence of several goals or objectives, because the assessment of whether financial decisions are efficient or not must be made based on several standards. The company's goal is to maximise the wealth of the company's owners. Shareholder wealth is represented by the market price per share of the company's common stock (Khan and Hussanie, 2018). According to Sudana, (2011) the normative goal of a company is to maximise the value of the company or wealth for shareholders, in the short term for companies going public is reflected in the market price of the company's shares in the capital market.

This researcher uses a mediation approach for dividend policy as a novelty, because from empirical and theoretical studies, researchers suspect that there are other variables that are exclusive moments and can fill the research niche. Therefore, based on the explanation of the background of the problem, the researcher is interested in conducting research entitled ‘The Effect of Corporate Governance Structure and Financial Decisions on Firm Value: Dividend Policy as a Mediating Variable in Manufacturing Companies on the Indonesia Stock Exchange 2019-2023.

II. RESEARCH METHODS

This research is quantitative explanatory research, to obtain clarity on phenomena that occur in the empirical world and try to get answers, which aim to explain the causal relationship between variables through data analysis in the context of hypothesis testing. The study uses a statistical test tool hypothesis to conclude a hypothesis that uses causal testing. An explanatory hypothesis or causal hypothesis is a hypothesis that states the relationship of one variable that causes changes in another variable (Bougie and Uma, 2010). The purpose of using this causal hypothesis is to understand which variables function as causes and which variables function as effect variables, as well as to determine the characteristics of the relationship between the cause and effect variables to be predicted (Setyawan, 2021).

Data processing and analysis in this study used Partial Least Square (PLS). PLS is a Structural Equation Modeling (SEM) equation model with a variance-based or component-based structural equation modeling approach. According to Ghozali and Latan (2015), the purpose of PLS-SEM is to develop theory or build theory (prediction orientation). PLS is used to explain whether there is a relationship between latent variables (prediction). PLS is a powerful analytical method because it does not assume current data with certain scale measurements, small sample size (Ghozali and Latan, 2015).

This study has a complex model and the relationship between variables has not been supported by a strong theory, so in data analysis using SmartPLS software. Smart PLS uses the bootstrapping method or random multiplication. Therefore, the normality assumption will not be a problem. In addition, by bootstrapping, SmartPLS does not require a minimum number of samples, so it can be applied to research with a small sample size. PLS-SEM analysis consists of two sub models, namely the measurement model or outer model and the structural model or inner model.

III. RESULTS AND DISCUSSION

1. The Effect of Corporate Governance Structure on Dividend Policy in Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX).

The results of hypothesis testing show that the Corporate Governance (CG) Structure has a significant direct effect on Dividend Policy in manufacturing companies listed on the Indonesia Stock Exchange (IDX). This is evidenced by the coefficient of influence of -0.343 and a P-value of 0.001. Since the P-value is smaller than the significance level of 0.05, the first hypothesis (H1) is accepted. The negative coefficient indicates that the better the implementation of corporate governance, the less likely the company is to increase dividend policy.

This finding can be explained scientifically by considering the role of corporate governance in determining strategic priorities and resource allocation. Good corporate governance tends to focus on efficient financial management and resource allocation for long-term investment. Thus, companies with strong corporate governance structures are more likely to retain most of their profits to support strategic investment projects or corporate development rather than distributing them as dividends to shareholders.

Moreover, this negative relationship can also be attributed to the agency theory principle, which states that effective corporate governance is designed to minimise the conflict of interest between management and shareholders. In this context, management supported by good governance is more likely to use corporate profits to increase shareholder value through long-term growth rather than short-term dividends. This policy also reflects the conservative approach to financial management often adopted by companies with strong governance.

2. The Effect of Financial Decisions on Dividend Policy in Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX)

The results of testing the second hypothesis (H2) show that Financial Decisions do not have a significant direct effect on Dividend Policy in manufacturing companies listed on the Indonesia Stock Exchange (IDX). This is reflected in the coefficient of influence of 0.130 and a P-value of 0.276. Since the P-value is greater than 0.05, this hypothesis is rejected, which means that there is insufficient evidence to state that financial decisions have a direct effect on dividend policy in these companies.

Logically and scientifically, this result can be explained by several considerations. First, dividend policy is often influenced by long-term factors that are more strategic than just short-term financial decisions. Although financial decisions, such as profit earned by the company, cash flow, and debt level, should affect the company's ability to pay dividends, the results of this study show that these factors do not have a sufficient direct effect on dividend policy in manufacturing companies listed on the IDX. This is due to companies preferring to maintain a stable dividend policy despite fluctuations in their financial decisions, with the aim of providing positive signals to shareholders and the market.

3. The Effect of Corporate Governance Structure on Firm Value in Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX)

The results of testing the third hypothesis (H3) show that the Corporate Governance Structure (CG) has no significant direct effect on Firm Value (NP) in manufacturing companies listed on the Indonesia Stock Exchange (IDX). This is reflected in the coefficient of influence of 0.126 and a P-value of 0.296, which is greater than the significance level of 0.05. Since the P-value does not meet the criteria for significance, this hypothesis is rejected, which means there is insufficient evidence to support the claim that corporate governance structure has a direct effect on firm value in the context of manufacturing companies listed on the IDX.

The rejection of this hypothesis can be explained by several theoretical and practical perspectives. In the context of agency theory, where the relationship between shareholders and management is often faced with conflicts of interest, we expect that a good corporate governance structure, which includes transparency, accountability, and close supervision, can improve operational efficiency and ultimately increase firm value. However, while this is relevant in theory, the reality is that the direct effect of corporate governance structures on firm value does not always materialise in a direct or immediately visible way in the short term.

One potential reason for this result is that firm value is often influenced by a more complex range of external and internal factors than just corporate governance structures. Factors such as market conditions, industry performance, macroeconomic policies and long-term investment decisions are more likely to have a direct impact on firm value. On the other hand, a good corporate governance structure is more likely to affect the long-term performance and sustainability of the firm, which is not directly reflected in the market value in a short period of time.

4. The Effect of Financial Decisions on Firm Value in Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX)

The results of testing the fourth hypothesis (H4) show that Financial Decisions have a significant direct effect on Firm Value (NP) in manufacturing companies listed on the Indonesia Stock Exchange (IDX). With an influence coefficient of 0.717 and a P-value of 0.000 which is smaller than the significance level of 0.05, this hypothesis is accepted, which means that financial decisions can significantly affect firm value.

The significant effect of financial decisions on firm value is in line with financial theories, such as the Modigliani-Miller theory which states that financial decisions, such as capital structure, investment policy, and dividend policy, play an important role in determining firm value. In the context of this study, financial decisions include various aspects such as debt management, capital cost management, and investment strategies that can affect company performance and profitability.

In practical terms, the effect of financial decisions on firm value in manufacturing companies listed on the IDX is highly dependent on how financial management manages the company's financial resources, with a focus on optimal use of capital and maintenance of a balanced capital structure. In this case, decisions related to financing, capital allocation, and financial risk management have a huge direct impact on the growth and sustainability of the company, which is ultimately reflected in higher firm value.

5. The Effect of Dividend Policy on Firm Value in Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX)

The results of testing the fifth hypothesis (H5) show that Dividend Policy has a direct influence on Firm Value (NP) in manufacturing companies listed on the Indonesia Stock Exchange (IDX), with an influence coefficient of -0.137 and a P-value of 0.037, which is smaller than the significance level of 0.05. Thus, this hypothesis is accepted, which means that dividend policy does affect firm value significantly, although the effect is negative. Thus, this hypothesis is accepted, which means that dividend policy does affect firm value significantly, although the effect is negative.

The negative effect of dividend policy on firm value indicates that when companies increase dividend payments, firm value tends to decrease, or vice versa, when dividend payments are reduced, firm value increases. This phenomenon can be explained by Signalling Theory, which states that dividend policy can be used by companies as a signal to the market regarding the company's financial condition and future prospects. However, the negative effect detected in this study suggests that the market assesses a high dividend policy as a sign that the company does not have enough profitable investment opportunities to work on, thus preferring to distribute profits as dividends.

In manufacturing companies listed on the Indonesia Stock Exchange (IDX), decisions regarding dividend policy are strongly influenced by various factors, including the company's financial performance, growth prospects, and market and economic conditions. Therefore, companies need to consider carefully between paying dividends or reinvesting profits, because inappropriate policies can adversely affect market perceptions of the company, and ultimately reduce the value of the company.

6. Dividend Policy as a Mediator of the Effect of Corporate Governance Structure on Firm Value in Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX)

Testing the indirect hypothesis (H6) which examines the role of Dividend Policy as a mediator in the relationship between Corporate Governance (CG) Structure and Firm Value (NP) in manufacturing companies listed on the Indonesia Stock Exchange (IDX) produces an indirect effect coefficient of 0.047 with a P-value of 0.114. Based on these results, hypothesis H6 is rejected, which indicates that Dividend Policy does not play a significant role as a mediator between Corporate Governance Structure and Firm Value in the context of manufacturing companies listed on the IDX.

The p-value which is greater than the significance level of 0.05 (i.e. 0.114) indicates that the effect of dividend policy on firm value through corporate governance structure is not strong enough to be considered as a significant mediator. In this case, although there is a relationship between CG Structure and Firm Value directly, the influence is not through dividend policy as a meaningful channel or intermediary. This can be caused by several factors. First, although a good corporate governance structure is expected to improve transparency, oversight, and accountability of the company, which should have an impact on increasing firm value, in this study, dividend policy does not show a key role in the relationship. This is because firms with strong corporate governance structures prefer to execute their financial and strategic policies directly, without relying on dividend policy as a mediator. Second, these results also indicate that firms with good corporate governance structures do not always utilise dividend policy to influence market perception or increase firm value. This could be because companies with good governance structures tend to have more diversified earnings management policies, which include reinvesting earnings in activities that are more orientated towards long-term growth, rather than paying dividends.

7. Dividend Policy as a Mediator of the Effect of Financial Decisions on Firm Value in Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX)

Indirect hypothesis testing (H7) which examines the role of Dividend Policy as a mediator in the relationship between Financial Decisions and Firm Value (NP) in manufacturing companies listed on the Indonesia Stock Exchange (IDX) shows insignificant results. The indirect effect coefficient of -0.018 with a P-value of 0.395, which is greater than the significance level of 0.05, indicates that hypothesis H7 is rejected. Thus, this result indicates that Dividend Policy does not play a significant role as a mediator in the relationship between financial decisions and firm value.

The rejection of this hypothesis implies that although financial decisions, which include decisions related to investment, financing, and profit distribution (dividends), strongly influence firm value, dividend policy is not a significant channel or intermediary in the relationship. Financial decisions essentially include a broader set of strategic considerations, such as capital structure management and financing policies, which directly affect firm value without dividend policy as an intermediary factor.

Furthermore, the results also show that financial decisions do not have a significant direct effect on dividend policy. The resulting effect coefficient of 0.130 with a P-value of 0.276 indicates that there is insufficient evidence to support the claim that financial decisions have a direct effect on dividend policy in manufacturing companies listed on the IDX. Dividend policy is more influenced by more strategic long-term factors, such as corporate governance policies and investment needs, than short-term financial decisions.

Regarding the effect of corporate governance structure on firm value, the results show that there is no significant direct effect. The effect coefficient of 0.126 and P-value of 0.296 indicate that corporate governance structure does not directly affect firm value in the short term. This can be explained by some other more influential external and internal factors, such as market conditions and corporate investment strategies, which are more dominant in affecting firm value. Nonetheless, a good governance structure still plays a role in creating a strong foundation for long-term growth and sustainability of the company.

In contrast, financial decisions are proven to have a significant direct influence on firm value. With an influence coefficient of 0.717 and a P-value of 0.000, this result confirms that financial decisions such as debt management, investment, and capital structure strongly influence firm value. Wise financial decisions, such as efficient use of debt and profitable investments, can improve firm performance and competitiveness, which is reflected in higher firm value.

Finally, dividend policy is found to have a negative influence on firm value with an influence coefficient of -0.137 and a P-value of 0.037. This finding shows that a high dividend policy can actually reduce firm value, because it is considered a sign that the company does not have investment opportunities that are profitable enough to reinvest. In this case, high dividend payments may provide short-term benefits for shareholders but reduce the long-term growth potential of the company.

This research suggests that dividend policy and financial decisions play a more direct role in influencing firm value than corporate governance structure. A good governance structure is more likely to influence long-term investment decisions, which impact the growth and sustainability of the firm.

A. Theoretical Implications

Based on the structural model used in this study, it can be concluded that financial decisions have a significant indirect impact on firm value through their influence on dividend policy. The theoretical implication of this finding is that the theory of Good Corporate Governance and Agency Theory can contribute to the scientific repertoire of management.

Following Good Corporate Governance Theory, it is understood that good financial decisions must consider the interests of all company stakeholders (Heath and Norman, 2004; S. Iqbal et al., 2019; Kurniati, 2019; Rodriguez-Fernandez, 2016; Suhadak et al., 2019; Kurniati, 2019; Rodriguez-Fernandez, 2016; Suhadak et al., 2019; ., 2019a). Dividend policy should be in accordance with a healthy and sustainable policy in the long term to improve the company's reputation and image in the eyes of stakeholders (Barros et al., 2023; Costello, 2021; Iqbal et al., 2019; Sidhu et al., 2023; Costello, 2021; Iqbal et al., 2019; Sidhu et al. ., 2023; Singhania and Saini, 2022; Suhadak et al., 2019a; 2022b). Dividend policy can also be an important tool to ensure that managers look after shareholders' interests (Barros et al., 2021; Bataineh, 2021; Kilincarslan, 2021; Tayachi et al., 2022; Wahjudi, 2019). Meanwhile, according to Agency Theory, managers tend to act in their own self-interest and do not always act in the interests of shareholders (Cherian et al., 2020; Chrisman, 2019; Dong et al., 2021; Husni et al. , 2020; Ngatno et al., 2021). Da

The finding that dividend policy has no significant effect on firm value indicates that dividend policy should be based on consideration of long-term shareholder interests, and focus on the growth and development of the company. Financial decisions that do not have a significant effect on firm value can be associated with strategic decisions to allocate corporate resources to more profitable investment projects. The novelty highlighted in this study is mainly related to the use of a structural model that allows the analysis of direct and indirect impacts between financial decisions and firm value. In the context of Good Corporate Governance and Agency Theory, this study provides a deeper understanding of the relationship between financial decisions, dividend policy, and firm value.

B. Practical Implications

The results of this study have important practical implications in investment decision making and dividend policy. Long-term factors and business strategies affect firm value and long-term profits more than short-term factors such as financial decisions or corporate governance. Therefore, corporate managers and investors should pay attention to these factors to maximize their profits.

In addition, the study shows that external factors such as tax regulations and economic policies can affect dividend policy. Corporate managers and investors should consider these factors in decision making and monitor changes in regulations and economic policies that can affect dividend and investment policies.

The practical implications of the research findings will be explained as follows:

1. The effect of Corporate Governance Structure on Dividend Policy in this study is not significant, with a coefficient of -0.101 and a p-value of 0.368, which is greater than the significance limit of 0.05. This indicates that corporate governance does not play a strong role in determining dividend policy.
2. Financial decisions have a significant effect on dividend policy because these decisions affect the availability of funds to pay dividends. The coefficient of 0.269 with a p-value of 0.020 indicates that decisions related to investment, financing, and asset management play an important role in determining dividend policy.
3. The effect of dividend policy on firm value in this study is not significant, with a coefficient of -0.013 and a p-value of 0.914. This indicates that dividend policy does not have a direct impact on increasing firm value. Factors such as market conditions, corporate strategy, and investor preferences for capital gains are more dominant. Investors prefer capital gains over dividends, due to tax differences or companies focusing more on reinvesting profits for long-term growth rather than distributing dividends, as described in the theories of "tax differentiation" and "pecking order."
4. The results of the study show that Corporate Governance Structure has a positive and significant effect on company value, with a coefficient of 0.243 and a p-value of 0.017. The implementation of effective corporate governance increases investor and stakeholder confidence, because it ensures accountability and transparency of management in accordance with the interests of shareholders (Oktari et al., 2018). Better transparency also reduces the risk of asymmetric information, so that investors are more confident in investing their capital (Muslim and Sonjaya, 2022).
5. The results of the study show that financial decisions have a significant effect on company value, with a coefficient of 0.466 and a p-value of 0.000, which is below the significance limit of 0.05. This significant effect indicates that financial decisions are indeed important in determining company value. According to Wijaya (2010) supports that optimal financing decisions, such as using more equity than debt, can increase company value.
6. The test results show that Corporate Governance (CG) Structure does not affect Firm Value through Dividend Policy, with a coefficient of 0.001 and a p-value of 0.940, which is greater than the significance limit of 0.05. This indicates that Dividend Policy does not function as a mediator in the relationship between CG Structure and Firm Value. 7. This study shows that dividend policy does not mediate the effect of financial decisions on firm value, with a coefficient of -0.003 and a p-value of 0.918, far above the significance limit. This is due to several factors. First, companies prefer to retain profits for long-term investments which are considered more important than distributing dividends. Second, although the "bird in the hand" theory suggests that investors prefer dividends, in this context they are more focused on the company's growth prospects. Third, dividend policy does not play a role in reducing conflicts between management and shareholders, because companies prioritize internal financing to avoid dependence on external funding.

IV. CONCLUSION

The following are the conclusions of the research conducted :

1. The Influence of Corporate Governance Structure on Dividend Policy. Corporate governance structure has a significant negative influence on dividend policy.
2. The Influence of Financial Decisions on Dividend Policy. Financial decisions do not have a significant direct influence on dividend policy. This is because companies focus more on managing cash flow and long-term investments, rather than deciding dividend policies based on the results of short-term financial decisions.
3. The Influence of Corporate Governance Structure on Company Value. Corporate governance structure does not show a significant direct influence on company value.
4. The Influence of Financial Decisions on Company Value. Financial decisions have a significant influence on company value.
5. The Influence of Dividend Policy on Company Value. Dividend policy shows a negative influence on company value.
6. The Influence of Corporate Governance Structure through Dividend Policy Mediator on Company Value. Corporate governance structure through dividend policy does not show a significant influence on company value.
7. The Influence of Financial Decisions through Dividend Policy Mediator on Company Value. Financial decisions through dividend policy also do not show a significant influence on company value.

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