

The Role of Dividend Policy as a Mediation Variable on Factors Affecting Company Value

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Abstract

This study aims to determine the role of dividend policy (DPR) as a mediator of the relationship between Islamic Corporate Governance (ICG), Investment Decisions (PER), and Funding Decisions (DER) on Firm Value (PBV) in companies registered with JII in 2014-2020, which were 48 companies. The method of determining the sample using the purposive sampling method is based on the criteria for the number of samples obtained by as many as 12 companies. The data analysis technique uses a quantitative approach. Data analysis tool using Eviews 10 with regression analysis selected fixed effect model. The results of this study indicate that ICG has a negative and insignificant effect on PBV, PER has a positive and significant effect on PBV, DER has a positive and insignificant effect on PBV, ICG has a negative and insignificant effect on DPR, PER has a positive and significant effect on DPR, DER has a negative and insignificant effect on the DPR, the DPR has a negative and insignificant effect on PBV, and the DPR is unable to mediate the influence of ICG, PER, and DER on PBV. Based on the F test, it is known that the ICG, PER, and DER variables with DPR as the intervening variable are proven to have a positive and significant effect on PBV.

Keywords: DER, DPR, ICG, PBV, PER

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1. Introduction

The Islamic economy in Indonesia has developed very rapidly. This development was marked by the emergence of various kinds of Islamic investment products, one of which was Islamic stocks. The existence of sharia shares has a very positive impact and provides a significant change to the investment atmosphere in Indonesia (Bintari & Kusnandar, 2020). A company in the short term has the goal of getting maximum profit by properly processing existing resources, on the contrary, in the long term, it has the most important target to increase company value (Susanto & Ardini, 2016). The stock price of the JCI movement which contains the JII stock index has fluctuated for the last 7 years from 2014-2020.

Firm value according to Brigham and Houston (2011) is very necessary because a high company value will also be followed by high prosperity from shareholders. The higher the value of the company, the more interested investors are in investing in the company. The previous stock valuation will be made first according to the information they get from the capital market, then investors will invest in shares in a company (Maryanto, 2017). The measurement of company value in this study uses the price to book value (PBV) ratio, which is a combination of the closing stock price at the end of the year and the book value of the company's shares (Sasurya & Asandimitra, 2013). Several factors can influence the value of the company, including Islamic Corporate Governance (ICG), Investment Decisions, and Funding Decisions.

Islamic Corporate Governance according to Bhatti and Bhatti (2009) is to take into account the effects of sharia law, Islamic finance on policies and practices, as well as economic principles, such as those in zakat institutions, improvement of the economic system based on profit sharing, and prohibition of speculation. The main objectives of the ICG are to uphold justice, honesty, and the protection of human needs following *Maqasid Shariah* which refers to the welfare of the community (Endraswati, 2015). This study measures ICG using the Corporate Governance Disclosure Index (CGDI).

An investment decision is another supporting factor of firm value. The investment decision is an indispensable factor as a function of the company's finances, which if the more precise an investment decision is determined by the company, then, of course, it creates high expectations as well to obtain a large rate of return. Because the right company investment decisions can affect investors' understanding of the company, this can increase the demand for company shares. So it can be said that investment decisions can increase the value of the company when investors' interest is higher in investing in a company (Pertiwi, Tommy, & Tumiwa, 2016). This investment decision is measured using the Price Earnings Ratio (PER). This is a ratio of indicators of capital market assessment of the company's ability to create the company's profit potential in the future (Setyowati et al., 2018).

Another factor that supports firm value is funding decisions. This funding decision factor is very influential on the company because the decision is related to the income source of funds related to the company's operational activities and the financing of investment activities in the company. In this way, investment decisions and funding decisions are interrelated. Within

the company, sources of funding can be obtained from inside or outside the company. Funds for company activities sourced from within the company are retained earnings, while funds sourced from outside the company are debt (Putri, Isnurhadi, & Yuliani, 2018). In this study, funding decisions are measured using the proportion of debt to equity ratio (DER). That shows the comparison between financing with financing through debt and equity.

Dividends are profits from the company where these profits will be distributed to all shareholders. The shareholders will receive the number of dividends that have been determined using the GMS. In a company, a manager is very influential in determining dividend policy, because dividend policy can affect the value of a company in the eyes of investors (Bagita & Tambun, 2016). In this study, dividend policy is measured using the Dividend Payout Ratio (DPR). This ratio shows the comparison between the dividends per share distributed and the company's earnings per share.

There are several stock market indices on the Indonesia Stock Exchange, including the JCI which is a stock index that calculates the performance of companies' stock prices listed on the main board and the IDX development board. JCI stock prices fluctuated in the 2014-2020 period. One of the stock indices that are part of the JCI is the Jakarta Islamic Index (JII), which is the first index to appear on the Indonesian capital market since July 3, 2000, as a sharia stock index. The JII constituents only include the 30 most liquid sharia shares that have been listed on the IDX (www.idx.co.id).

This study aims to determine how the influence of the role of dividend policy (DPR) as a mediating variable on Islamic corporate governance (ICG), investment decisions (PER), and funding decisions (DER) in influencing firm value (PBV) in companies listed in Jakarta Islamic Index (JII) in the 2014-2020 period.

The benefit of this research is that in the academic field, it is hoped that it can provide information, insight, and knowledge about the influence of Islamic Corporate Governance (ICG), investment decisions, and funding decisions on firm value. Investors are expected to be a source of information for investors to make decisions in investing after this research. And for the company, it is hoped that by conducting this research, it can be used as material to be considered when making decisions regarding the company's financial management.

Stakeholder Theory

According to Ghozali and Chariri (2007), Stakeholder Theory explains that companies are not entities that only operate for their interests but must also provide benefits to their stakeholders (shareholders, consumers, creditors, suppliers, society, government, and other parties). Therefore, when the company operates, it needs help from outside parties, such as encouragement from the community.

Signaling Theory

The opinion of Brigham and Houston (2006) says that signal theory is a theory about the choice of management actions in managing the company and can also be a signal or guide for investors regarding management's assessment of business prospects for the future. This theory also explains how a company has a desire to disclose information related to financial statements and dividends to internal and external parties, with the hope that this information can decide by the parties concerned.

Firm Value

Firm value according to Keown, Martin, and Petty (2004) is the market value of outstanding debt securities and company equity. The market value itself is an investor's response to the level of success of the company which is often associated with stock prices. Husnan and Pudjiastuti (2012) say that the value of the company is the price that prospective buyers are willing to pay if the company is to be sold. Therefore, every company will continue to strive to maximize the value of the company by having a high company share price.

Islamic Corporate Governance (ICG)

Abu-Tapanjeh (2009) defines ICG as a set of mechanisms used to assist in creating justice for all stakeholders and strengthen accountability and transparency. ICG prioritizes stakeholders rather than shareholders. According to Rohmah (2020), the existence of Islamic Corporate Governance (ICG) due to the emergence of weaknesses in corporate governance that can threaten the continuity of the company's business as a company that is in accordance with sharia, motivates Islamic economic and financial experts to develop more Islamic corporate governance.

Investment Decision

Investment decisions according to Tandelilin (2010) are decisions that involve the distribution of funds sourced from within or funds sourced

from outside the company in various forms of investment. This decision can be divided into long-term and short-term investments. Long-term investments can take the form of buildings, land, vehicles, production equipment, machinery, and other fixed assets. Meanwhile, short-term investments can be in the form of receivables, investments into cash, inventories, and short-term securities. Investment is a commitment to a number of funds or other resources in the future.

Funding Decision

The funding decision according to Horne and Wachowicz (1997) is a policy regarding investment decisions or spending decisions. This spending decision includes several ways to invest efficiently, as well as how to develop optimal sources of funds that must be maintained. There are several sources of funds that can be used by financial management in the company. Sources of funds used to finance financial needs in the short term, namely financial management can use sources of funds originating from banks, while in the long term and large amounts of financing, namely through financial management using sources of funds obtained from the investor's capital market.

Dividend Policy

The dividend policy according to Firmansyah (2019) is a policy regarding the use of profits that entitles shareholders. This profit can be distributed in the form of dividends or retained for investment. Companies can distribute dividends in the form of cash or the form of shares.

Corporate governance is governance designed to control and regulate companies to create more value for the company (Pratiwi, 2017). The implementation of Islamic Corporate Governance will make investors give a good response to increasing the market value of Juariah, Akbar, and Hartini (2021). This is supported by research from Sutrisno and Indriastuti (2019) and Fatimah et al. (2019) who say that GCG has a significant positive effect on firm value. In this study, the concept of Islam was used so that GCG was changed to ICG. Therefore, the following hypothesis is proposed:

H1: Islamic Corporate Governance has a positive and significant effect on firm value.

An investment decision is an alternative decision taken by the company in issuing its funds for purposes outside of operational activities which can then provide an advantage for the company in the future (Pertwi et al., 2016). Signaling theory explains that investment spending can provide a

positive signal about a company's growth for the future, so increasing stock prices will be an indicator of company value (Ayem & Nugroho, 2016). This presentation was driven by research from Ayem and Nugroho (2016), Mutmainnah et al. (2019), and Kumalasari and Riduwan (2018) where their research results show that investment decisions have a positive and significant effect on firm value. Then, a hypothesis is proposed:

H2: Investment decisions have a positive and significant effect on firm value.

With the right funding decisions, it can make positive information for investors, then make the demand for shares increase, and increasing share prices will have a positive impact on company value (Rinnaya, Andini, & Oemar, 2016). The results of the research from Putri et al. (2018) and Achmad and Amanah (2014) say that funding decisions have a positive and significant effect on firm value. From the description above, the following hypothesis can be proposed:

H3: Funding decisions have a significant positive effect on firm value.

The implementation of a good and clean governance system in the company will protect shareholders from abuse of management authority. Corporate governance plays a role in providing an implication on decisions in the distribution of dividends to shareholders (Budiawan, 2016). The explanation above is supported by the results of research from Gunawan et al. (2018), Budiawan (2016), and Pradnyani (2018) who say that GCG has a significant positive effect on dividend policy. In this study, the concept of Islam was used so that GCG was changed to ICG. Therefore, the following hypothesis can be proposed:

H4: Islamic Corporate Governance has a significant positive effect on dividend policy.

Management has different interests from investors, namely, there is management whose company profits are not distributed in the form of dividends to investors with the intention that they can be used in other investment development activities, while investors after the profits are distributed in the form of dividends, these profits can also be used in other activities. Therefore, investment decisions have a positive effect on the dividend policy to be carried out by the company management (Simanjuntak, 2015). This is supported by Putri et al. (2018) which says that investment decisions have a significant positive effect on dividend policy. Then the hypothesis is proposed as follows:

H5: Investment decisions have a significant positive effect on dividend policy.

The funding decision is a very influential decision for the company because it involves the income of the source of funds used for operational activities and also to fund various investment activities in the company. Sources of funds come from inside and outside the company. Funds in the form of profits are obtained from within the company, while funds in the form of debt are obtained from outside the company (Putri et al. 2018). If the proportion of capital debt of a company is high, the company will be charged for debt costs and large agency costs, with that the allocation of funds paid for dividends will be smaller. In the explanation above, it can be concluded that when the proportion of capital debt in the company is high, the relationship in dividend payments will also decrease (Putri et al., 2018). This is driven by the results of research conducted by Setyowati et al. (2018) which says that funding decisions have a positive and significant effect on dividend policy. Then, the hypothesis is proposed:

H6: Funding decisions have a positive and significant effect on dividend policy.

With an increase in dividend payments from the company, it is considered that it will give a positive signal to ensure that the company's prospects are good, so it will increase the welfare of shareholders. If the dividends are given increased, so that it can increase the value of the company, it will also cause the demand for shares to increase so that the share price will also increase, which then results in the company's performance being good in managing the company (Dewi & Suryono, 2019). This is driven by the research results of Musabbihan dan Purnawati (2018) which say that dividend policy has a significant positive effect on firm value. Therefore, the hypothesis is obtained:

H7: Dividend policy has a significant positive effect on firm value.

Good corporate governance is used to improve the performance of a company which will result in high company value being achieved so that the high value of the company makes many investors consider investing in the company (Bagita & Tambun, 2016). The larger the dividend policy, the higher the dividend payout ratio, this is because the company has strong governance (Rosmawati, 2020). So it can be concluded that with strong corporate governance, the dividend policy set by the company will be bigger, so it will make the achievement of high company value. There is research that supports the above explanation, namely research conducted by Rosmawati (2020) which obtained results if dividend policy was able to mediate the influence of GCG on firm value. In this study, the concept of Islam was used so that GCG was changed to ICG. Then the hypothesis can be proposed as follows:

H8: Dividend policy is able to mediate the effect of Good Corporate Governance on firm value.

The company's financial performance and investment decisions are good, namely by looking at how the company sets dividends to maintain and attract investors to invest in the company. The dividend policy that is carried out by the company well, will also make the value of the company better (Adrianingtyas & Sucipto, 2019). This is supported by the results of research by Ningsih et al. (2017) and Putri et al. (2018) which says that dividend policy can mediate the effect of investment decisions on firm value. From the explanation above, the hypothesis is proposed as follows:
H9: Dividend policy can mediate the effect of investment decisions on firm value.

In doing funding the company can manage its debt effectively and efficiently, so the rate of return on debt is also high as desired so that the company will still be able to distribute dividends for the welfare of its investors so that it will make a good response for investors in increasing the value of the company (Kurniawan & Mawardi, 2017). This is supported by the results of the research of Putri et al. (2018) which says dividend policy can mediate the relationship between funding decisions and firm value. Based on this explanation, the following hypothesis is proposed:
H10: Dividend policy can mediate the effect of funding decisions on firm value.

2. Research Method

In this study, taking the object that comes from the stock index on the Indonesia Stock Exchange with a stock index based Jakarta Islamic Index (JII). This study uses the annual report of companies that have met the criteria, namely for 7 years starting from 2014-2020. The population is all companies that have been registered in JII with a total of 48 companies. This study used a purposive sampling method in sampling, which means that the sample met the criteria and 12 companies met the following criteria: (1) Companies that were consecutively listed on the Jakarta Islamic Index in the 2014-2020 periods; (2) Companies that issue financial statements for the period 2014-2020 (3) Companies that report complete governance and other required information during the 2014-2020 periods; (4) Companies that distribute cash dividends and have data related to dividend payments in a row during the 2014-2020 periods.

The analytical tool used is using the Eviews version 10 data program. Multiple linear analysis techniques with classical assumption test (normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test) and panel data regression test (hypothesis testing, coefficient of determination test, Sobel test, and path analysis). The variables used in this study consist of (1) firm value variable as the dependent variable; (2) Islamic corporate governance variable, investment decisions, and funding decisions as independent variables; and (3) dividend policy variable as a mediating variable.

3. Results

Table 1 shows the descriptive statistical analysis of the data.

Table 1. Descriptive Statistical Test

| | <i>PBV</i> | <i>ICG</i> | <i>PER</i> | <i>DER</i> | <i>DPR</i> |
|-----------|------------|------------|------------|------------|------------|
| Mean | 7.946770 | 0.729881 | 22.86729 | 1.052023 | 0.526814 |
| Median | 2.124788 | 0.730000 | 15.18770 | 0.874207 | 0.411696 |
| Maximum | 82.45061 | 0.800000 | 318.4883 | 3.159024 | 2.815315 |
| Minimum | 0.083042 | 0.680000 | 0.248009 | 0.186446 | 0.014178 |
| Std. Dev. | 17.18080 | 0.026137 | 34.56780 | 0.694192 | 0.413228 |

Source: Data processed by the author

The data sample contains 12 companies that have been registered with JII from 2014-2020. Observations as many as 84 observations were obtained from 12 samples multiplied by the year of research for 7 years. Based on the table, it can be seen that for 7 years, from 2014-2020 the average value of the Company Value (PBV) was 7.946770. The lowest value is 0.083042, the highest value is 82.45061, and the standard deviation value is 17.18080. The Islamic Corporate Governance (ICG) variable has an average value of 0.729881. The lowest value is 0.680000, the highest value is 0.800000, and the standard deviation value is 0.026137. The investment decision variable (PER) has an average value of 22.86729. With the lowest value of 0.248009, the highest value of 318.4883, and the standard deviation value of 34.56780. The Funding Decision variable (DER) has an average value of 1.052023. With the lowest value of 0.186446, the highest value of 3.159024, and the standard deviation of 0.694192. The Dividend Policy (DPR) variable as an intervening variable has an average value of 0.526814. With the lowest value of 0.014178, the highest value of 2.815315, and the standard deviation of 0.413228.

Classical Assumption Test

Based on Normality Test, the value of the probability is $0.069498 > 0.05$ which means that the data is normally distributed. There is no multicollinearity problem between independent variables since the value of correlation is < 0.90 . Similarly, there are no symptoms of heteroscedasticity based on the Glejser test as the probability value of all variables has a value of > 0.05 . Meanwhile, the value on the Durbin-Watson test is 0.316100 which can be concluded that there is no autocorrelation symptom in the data.

Path Analysis Test

Table 2 shows the multiple linear regressions between ICG, PER, DER, and PBV.

Table 2. Multiple Linear Regression Analysis 1 (Direct)

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|----------|-------------|------------|-------------|--------|
| C | 1.890899 | 1.640051 | 1.152952 | 0.2529 |
| ICG | -1.470547 | 2.217508 | -0.663153 | 0.5094 |
| PER | 0.007203 | 0.000981 | 7.340261 | 0.0000 |
| DER | -0.432955 | 0.123215 | -3.513809 | 0.0008 |

Source: Data processed by the author

From the results above, the regression model is as follows:

$$DPR = 1.890899 - 1.470547ICG + 0.007203PER - 0.432955DER$$

The constant is 1.890899 with the direction of the coefficient being positive. This means that if the independent variable has a value $= 0$, then the DPR variable will increase by 1.890899 . The regression coefficient on the ICG is -1.470547 , and the probability value is $0.5094 > 0.05$, with a negative direction. It means that the ICG has a negative and insignificant effect on the DPR. If the ICG increases by one unit, the DPR will decrease by 1.470547 , with the assumption other variables have a fixed value. The regression coefficient on the PER variable is 0.007203 , and the probability value is $0.0000 < 0.05$ with a positive direction meaning that the PER has a positive and significant effect on the DPR. If the PER increases by one unit, the DPR will increase by 0.007203 , assuming other variables have a fixed value. The regression coefficient on the DER is -0.432955 , and the probability value is $0.0008 < 0.05$ with a negative direction meaning that the DER has a negative and significant effect on DPR. If the DER increases by one unit, the DPR will decrease by -0.432955 , assuming other

variables have a fixed value. Then look for the value of 1 can be searched using the formula $1 = \sqrt{(1-R\text{-Squared})}$ so $1 = \sqrt{(1-0.610436)} = 0.389564$.

Table 3 shows the multiple linear regressions between ICG, PER, DER, DPR and PBV.

Table 3. Multiple Linear Regression Analysis 2 (Indirect)

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---------------------------------------|-------------|-----------------------|-------------|----------|
| C | 3.020944 | 17.34610 | 0.174157 | 0.8623 |
| ICG | -2.041010 | 23.30483 | -0.087579 | 0.9305 |
| PER | 0.177096 | 0.013719 | 12.90868 | 0.0000 |
| DER | 2.279246 | 1.401558 | 1.626222 | 0.1085 |
| DPR | -0.060770 | 1.261179 | -0.048185 | 0.9617 |
| Effects Specification | | | | |
| Cross-section fixed (dummy variables) | | | | |
| R-squared | 0.975626 | Mean dependent var | | 7.946770 |
| Adjusted R-squared | 0.970249 | S.D. dependent var | | 17.18080 |
| S.E. of regression | 2.963430 | Akaike info criterion | | 5.180215 |
| Sum squared resid | 597.1703 | Schwarz criterion | | 5.643228 |
| Log likelihood | -201.5690 | Hannan-Quinn criter. | | 5.366342 |
| F-statistic | 181.4545 | Durbin-Watson stat | | 2.650686 |
| Prob(F-statistic) | 0.000000 | | | |

Source: Data processed by the author

Based on the results of the multiple linear regression analysis of equation 2, the regression model is obtained as follows:

$$PBV = 3.020944 - 2.041010ICG + 0.177096PER + 2.279246DER - 0.060770DPR$$

From the results of the path analysis above, it can be seen that the independent variable may have a simultaneous effect on firm value and may also have a non-simultaneous effect through the intervening variable.

Direct and Indirect Influence

The direct effect of ICG (X1) on PBV (P1) is -2.041010, while the indirect effect of ICG variable on DPR with PBV is $(P4 \times P7) = ((-1.470547) \times (-0.060770)) = 0.0893651412$. So the total direct and indirect effect of the ICG variable on PBV is $P1 + (P4 \times P7) = -2.041010 + (0.0893651412) = -1.9516448588$.

The direct effect of PER (X2) on PBV (P2) is 0.177096, while the indirect

effect of PER on DPR with PBV is $(P5 \times P7) = (0.007203 \times (-0.060770)) = -0.0004377263$. Therefore, the total direct and indirect effect of the PER variable on PBV is $P2 + (P5 \times P7) = 0.177096 + (-0.0004377263) = 0.1766582737$.

The direct effect of DER (X3) on PBV (P3) is 2.279246, while the indirect effect of DER on DPR with PBV is $(P6 \times P7) = ((-0.432955) \times (-0.060770)) = 0.0263106754$. Therefore, the total direct and indirect effect of the DER variable on PBV is $P3 + (P6 \times P7) = 2.279246 + (0.0263106754) = 2.3055566754$.

Hypothesis Testing

T Test (Partial)

Effect of ICG on PBV

The results obtained from testing the ICG variable have a regression coefficient value of -2.041010 with a negative coefficient direction. In the probability value of $0.9305 > 0.05$, from these results, it can be seen that partially the ICG variable has a negative and insignificant effect on firm value.

Effect of PER on PBV

The results obtained from the PER variable test have the value of the regression coefficient of 0.177096 the direction of the coefficient is positive. In the probability value of $0.0000 < 0.05$, from these results, it is known that partially the PER variable has a positive and significant effect on firm value.

Effect of DER on PBV

The results obtained from testing the DER variable have a regression coefficient value of 2.279246 with a positive direction of the coefficient. In the probability value of $0.1085 > 0.05$, from these results, it is known that partially the DER variable has a positive and insignificant effect.

Influence of DPR on PBV

The results found from the DPR variable test have a regression coefficient of -0.060770 and the direction of the coefficient is negative. In the probability value of $0.9617 > 0.05$, from these results, it is known that partially the DPR variable has a negative and insignificant effect.

F Test (Simultaneous Test)

The results of the regression test using the fixed effect model, the results obtained from F count $>$ F table are $181.4545 > 2.481661$ and have a

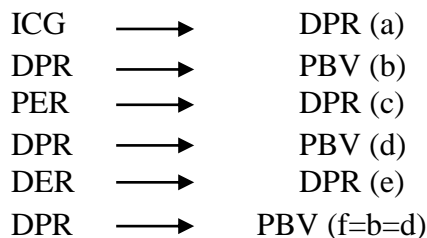
probability value of $0.000000 < 0.05$. These results can be seen that the ICG, PER, and DER variables with DPR as the intervening variable are proven to have a positive and significant effect on PBV.

R² Test (Coefficient of Determination)

Based on the multiple linear regression table above, it is explained that the R² regression model among the independent variables, the dependent variable, and the R-Squared intervening variable is 0.975626. It can be concluded that the independent variables and intervening variables can affect 97% of the dependent variables and the remaining 3% are influenced by other variables that are not included in this study.

Sobel Test

The Sobel test is used to see the direct or indirect relationship between the independent variable and the dependent variable through the mediating variable.



The results of the Sobel test showed that the effect of ICG on PBV with DPR as mediation got a value of t-count < t-table ($0.02660 < 1.98896$) which means that DPR was unable to mediate the influence of ICG on PBV. Furthermore, the effect of PER on PBV with DPR as mediation got a value of t-count < t-table ($-0.02092 < 1.98896$) which means that DPR is unable to mediate the influence of PER on PBV. Meanwhile, the test results also showed that the effect of DER on PBV with DPR as mediation got a value of t-count < t-table ($0.04634 < 1.98896$) which means that DPR is unable to mediate the effect of DER on PBV.

4. Discussion

Influence of Islamic Corporate Governance (ICG) on Firm Value (PBV)

From the tests that have been carried out, the results show that the effect of ICG on firm value (PBV) gets a regression coefficient value of -

2.041010, and the direction of the coefficient is negative and has a significance value of $0.9305 > 0.05$. So, it can be said that ICG has a negative and insignificant effect on firm value (H1 is rejected).

These results show that the company has not been able to manage the company properly. Because there are still many company management who are not fully aware that ICG has an important role in increasing the value of the company. For example, in the proportion of the board of commissioners that may occur due to the addition of an independent board of commissioners which is only a formality, and the owner of the company likely intervenes when making a decision that is being worked on by the company's management which can trigger a conflict between shareholders and shareholders. Company management which has an impact on the performance of the board of commissioners which does not increase which results in the value of the company decreases.

Effect of Investment Decision (PER) on Firm Value (PBV)

The results obtained if the effect of PER on firm value (PBV) got a regression coefficient value of 0.177096, the direction of the coefficient was positive and had a significance value of $0.0000 < 0.05$. So it can be said that PER has a positive and significant effect on firm value (H2 is accepted).

This study shows that the company can make the right decision to spend its funds to invest in the future, which will then provide benefits to the company as well as a signal for investors to invest in companies that will be able to increase stock prices and company value. The results of this study are in line with previous researches by Ayem and Nugroho (2016) and Mutmainnah et al. (2019) which state that investment decisions have a positive and significant effect on firm value.

Effect of Funding Decisions (DER) on Firm Value (PBV)

In the tests that have been carried out, the results show that the effect of DER on firm value (PBV) gets a regression coefficient value of 2.279246, and the direction of the coefficient is positive and has a significance value of $0.1085 > 0.05$. So it can be said that DER has a positive and insignificant effect on firm value (H3 is rejected).

This study shows that the company is less precise in making funding decisions. The use of debt as a corporate funding decision will create bad potential because debt is not necessarily able to control managers in

minimizing actions to improve company performance to be more efficient. Increased debt can also lead to an increased risk of bankruptcy. To minimize this, companies need to be careful in the use of debt. An increase in debt can increase the value of the company, but at a certain point the existence of debt can also reduce the value of the company.

Influence of Islamic Corporate Governance (ICG) on Dividend Policy (DPR)

From the test results, it is found that the effect of ICG on dividend policy (DPR) gets a regression coefficient value of -1.470547, and the direction of the coefficient is negative and has a significance value of $0.5094 > 0.05$. Therefore, it is said that ICG has a negative and insignificant effect on dividend policy (H4 is rejected).

Outcome theory explains that the implementation of good corporate governance will provide dividends to all shareholders. It can be said that good governance can affect the value of the company. Contrary to substitution theory, which says the opposite, companies that carry out bad corporate governance do not pay dividends to shareholders (Budiawan, 2016). This study indicates that there are still many companies in JII in 2014-2020 that have not met a good proportion of ICG. So that this will make the company's performance decrease so that dividends will also decrease, even though the company may not provide dividends to shareholders.

Effect of Investment Decision (PER) on Dividend Policy (DPR)

From this study, the results show that the effect of PER on dividend policy (DPR) gets a regression coefficient value of 0.007203, the direction of the coefficient is positive, and has a significance value of $0.0000 < 0.05$, so that PER has a positive and significant effect on firm value (H5 is accepted).

From this study, the company uses company funds appropriately in investing for the future, the investment invested by the company is getting bigger, and the higher the profit or profit that will be obtained by the company it will produce large dividends and the company can distribute dividends to shareholders. This study is in line with previous research from Putri et al. (2018) whose research shows that investment decisions have a significant positive effect on dividend policy.

Effect of Funding Decisions (DER) on Dividend Policy (DPR)

It is found that the effect of DER on dividend policy (DPR) has a regression coefficient value of -0.432955, the direction of the coefficient is negative, and has a significance value of $0.0008 < 0.05$. Therefore, DER has a negative and significant effect on firm value (H6 is rejected).

From the trade-off theory that was coined by Modigliani dan Miller (1963), debt that is too high, that exceeds the optimal limit in debt will cause the company to experience too high risk so that it can cause the company to experience higher defaults, higher debt will create a high risk of bankruptcy. The higher the funding using debt, the more debt the company has to pay, thereby reducing profits because profits will first be used to pay off debt rather than paying dividends. This research is in line with research conducted by (Putri et al., 2018) which states that funding decisions have a negative and significant effect on dividend policy.

Effect of Dividend Policy (DPR) on Firm Value (PBV)

From the tests that have been carried out in this study, the results show that if the influence of DPR on firm value (PBV) has a regression coefficient value of -0.060770, the direction of the coefficient is negative, and has a significance value of $0.9617 > 0.05$. So it means that ICG has a negative and insignificant effect on firm value (H7 is rejected).

Miller dan Modigliani (1958) in the Dividend Irrelevance Theory state that firm value is only determined by the firm's ability to generate income (earning power) and business risk, while the way to divide the income stream into dividends and retained earnings does not affect firm value. This study is in line with the research conducted by Mahmudi dan Khaerunnisa (2020) which found that dividend policy had a negative and insignificant effect on firm value.

Influence of Islamic Corporate Governance (ICG) on Firm Value with Dividend Policy as a Mediator

Based on the results of the Sobel test, the effect of ICG on PBV with DPR as the intervening variable, has a value of $t\text{-count} < t\text{-table}$ ($0.02660 < 1.98896$) so it can be said that DPR is unable to mediate the effect of ICG on PBV (H8 is rejected).

The existence of ICG in a company will provide added value because by implementing good ICG in the company, the company will have good performance too, therefore the company can create added value and can

increase the value of the company which will be able to provide a big profit for all investors. Implementing ICG properly and appropriately will be able to increase the value of the company even without being influenced by the distribution of dividends.

Effect of Investment Decision (PER) on Firm Value with Dividend Policy as a Mediator

From the Sobel test, the results show that the effect of PER on PBV with DPR as the intervening variable has a value of $t\text{-count} < t\text{-table}$ ($-0.02092 < 1.98896$) so it can be said that DPR is unable to mediate the effect of PER on PBV (H9 is rejected).

With the right investment decisions that can achieve optimal performance, such as the internal sources of funds that have been used and the funds that will be used for the company's development cannot meet, the company can still use external funds to meet operational costs, so that it can grow or whether or not the company will not affect the company's decision in distributing dividends to investors.

Effect of Funding Decisions (DER) on Firm Value with Dividend Policy as a Mediator

From the Sobel test that has been carried out, the results show that the effect of DER on PBV with DPR as an intervening variable has a value of $t\text{-count} < t\text{-table}$ ($0.04634 < 1.98896$) so it can be said that DPR is unable to mediate the effect of DER on PBV (H10 is rejected).

DER is a measurement used by companies to measure the increase in debt to the company. The DER measurement cannot be used as a benchmark to increase the company's stock price. The increase in stock prices also does not see the value of DER through dividend policy. This is because the increase in the value of DER does not mean that the dividends received by shareholders will also increase (Zakaria, 2021). This study is in line with previous research conducted by Setyowati et al. (2018), Sarif and Suprajitno (2021) who said that the DPR was unable to mediate the effect of DER on firm value.

5. Conclusions

This study aims to determine the effect of the role of dividend policy (DPR) as a mediator of the relationship between Islamic Corporate Governance (ICG), Investment Decisions (PER), and Funding Decisions (DER) on Firm Value (PBV) in companies registered in Jakarta Islamic

Index (JII) in the period 2014-2020. The population in this study was 48 companies. The sample were selected using the purposive sampling method based on the criteria for the number of samples obtained by as many as 12 companies. The results of this study indicate that ICG has a negative and insignificant effect on PBV, PER has a positive and significant effect on PBV, DER has a positive and insignificant effect on PBV, ICG has a negative and insignificant effect on DPR, PER has a positive and significant effect on DPR, DER has a negative and insignificant effect on the DPR, the DPR has a negative and insignificant effect on PBV, and the DPR is unable to mediate the influence of ICG, PER, and DER on PBV.

From the conclusions above, there are suggestions for future researchers to try other variables to be used as intervening variables because the intervening variables in this study were not able to mediate. It is also suggested to add years of research because this study only uses 7 years. The addition of the period may provide more accurate results. Moreover, the next researcher may need to develop the ICG variable because this variable is still rarely studied.

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