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Determinants of Bank Profitability and Implications for Company Value with Moderating Dividend Policy

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ABSTRACT

The research is quantitative and the objective is to determine the internal (Loan Quality, Third Party Fund, Managerial Efficiency) and external (BI Rate, Inflation) variables that determine Bank profitability, and the impact of this profitability on company value by moderating the Bank's stock dividend policy. The method used is panel data regression and moderated regression analysis using Eviews 10. The data used is secondary data with a sample of 10 Book 4 banks listed on the Indonesian Stock Exchange for the 2011-2020 period. The results obtained are first Loan Quality, Third Party Funds, Managerial Efficiency, Bank Indonesia Interest Rates and Inflation Rates simultaneously have a significant and positive effect on Banking Profitability, second Banking Profitability partially has a significant and positive effect on Company Value and third Banking Profitability which is moderated by Dividend Policy partially has a significant and positive effect on Company Value

***Keywords**: Bank's Profitability; Company Value; Deviden Policy*

INTRODUCTION

Banking Industry has role to be the main player in economic activities, due to the function of Banking as the industry which support the financial system, including to support the Gross Domestic Product (GDP). According to Syafril (2019: 6), as the name suggests, bank financial institutions (depository financial institutions) provide banking facilities and services for the public in terms of storing, paying and providing funds. This is a characteristic of bank financial institutions, namely the process of collecting funds directly from the public. Company value is investors' perception of the company, the higher the company value shows that the company can be said to be able to improve its performance well. Company value can be measured using several assessment ratios, namely Price Earnings Ratio (PER), Price to Book Value (PBV) and Tobin's Q. This research uses the PER approach to explain the condition of company value in the banking sector in Book 4 banks.

Profitability is an indicator that can be used as a basis for viewing the performance of a banking company. One indicator to measure banking performance in seeing how much banking profitability is can be seen from Return on Assets (ROA). This research uses profitability ratios to determine financial performance. The Dividend Payout Ratio, which indicates the company's approach to dividends, is a reflection of the percentage of dividends per share relative to profit per share. The significance of considering DPR lies in its strong connection to the company's banking performance. A company exhibiting sound banking performance can tailor the DPR to meet shareholder expectations while safeguarding the company's overall well-being and growth prospects.

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Based on observations from previous research, there is a gap regarding research results, namely there are variables related to loan quality, third party funds, managerial efficiency, Bank Indonesia interest rates and inflation rates which have been carried out by several previous researchers. Several previous studies produced different results regarding these variables in influencing Return on Assets (ROA). The results of research conducted by Brastama & Yadnya, (2020) show that the NPL variable has a negative effect on the ROA variable. According to Rizal et al., (2021) the Bank Indonesia rate variable does not have a significant effect on the ROA variable. Sukmadewi, (2020) show that the The BOPO variable exhibits a negative relationship with the ROA variable, while the NPL variable demonstrates a significant negative association with the ROA variable. According to Saiful & Ayu (2019) NPL variables and LDR variables have a significant negative effect on bank performance as proxied by the ROA variable. Kusumaningrum & Iramani, (2020) stated that test results show that the NPL variable has no significant negative effect on the ROA variable and the LDR ratio has no significant positive effect on the ROA variable. Marettos & Riwayati, (2021) mentioned that the LDR variable has no effect on the ROA variable..

The novelty of this research is that the first research object is related to Bank Book 4, generally the studies are Commercial / Syariah Bank listed on Indonesian Stock Exchange or banking as a whole. Second, the research model consists of independent variables (Loan Quality-NPL, Third-party funds-LDR, Managerial Efficiency-BOPO, BI Interest Rate, Inflation Rate) Dependent variables (Banking Profitability-ROA), Intervening variables (Company Value-PER) and Moderating variables (Dividend Payout Ratio Policy-DPR). Third, compared to previous research, this research discusses more independent variables. complex includes internal and external factors of the company. The reason DPR as moderating variables, because the magnitude of the DPR plays a crucial role in shaping shareholders' investment choices and simultaneously impacting the financial health of the company which can strengthen the Company Value- PER.

LITERATURE REVIEW

Business is a very specific endeavor and prioritizes trust as the spearhead of its success. To maintain a sustainable business, bank businesses must prioritize the principles that apply in the banking world. In general, referring to articles 2, 3 and 4 of Law Number 7 of 1992 which has been amended in Law Number 10 of 1998 concerning Banking, it is stated that Banks conduct their operational activities guided by economic democracy and adhere to the precautionary principle. The primary role of banking is to gather and allocate public funds, intending to contribute to the realization of national development goals, fostering balanced economic growth, and enhancing overall national stability to advance the well-being of the general population.

Profitability is the most appropriate indicator for measuring the performance of a bank. Profitability shows the company's ability to generate profits. Operationally, profitability can be interpreted as a financial ratio to determine the banking ability to use its assets to obtain profits. From this definition it is clear that the target to be sought is company profit. Profitability ratio is the ability to generate profits in the short and long term. The financial success of a company is assessed by its effectiveness in utilizing assets, and consequently, the profitability of a company can be gauged by comparing the earnings generated in a given period relative to the company's total assets or capital. And from this definition it can be concluded that profitability is a reflection of the company's ability to earn profits. One measure to see banking financial performance is through Return on Assets (ROA). ROA is used as a measure of financial performance and is used as a dependent variable because ROA is used to measure a company's effectiveness in generating profits by utilizing the assets it owns.

According to Kusnadi & Tandika, (2019) dividend policy can strengthen financial performance towards company value. Banks focus more on things that banks say can increase company value, with a good dividend policy banks can strengthen ROA on company value. When banking performance is good, of course shareholders will 'take part' in enjoying profitability of Bank which are share to shareholder in dividends, which is usually followed by an increase in share prices because demand for shares increases. Several previous studies generally looked at the relationship of one or two financial decisions with company value, but did not explicitly look at the relationship or influence of the three main financial decisions on company value.

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Table 1. Summary of Previous Research

Author	Summary of Search Results
Hakim, (2018)	The company growth variable has a positive and significant effect on ROA, the CAR, NPL and DPK variables have a negative and significant effect on ROA. ROA as an intervening variable does not function as a mediator to explain company value
Sukmadewi, (2020)	The growth of CAR, NPL, DPK has a significant effect on ROA, BOPO has a negative direction towards ROA, the NPL variable shows negative, and is significant to the ROA variable.
Rizal et al., (2021)	There exists a noteworthy correlation between the independent variable and the dependent variable. Specifically, financing, third-party funds, BI rate, and exchange rate do not individually exert a significant impact on ROA
Sugianto et al., (2020)	The NPL ratio factor has an impact on the value of the company, and additional factors include Company Growth (FG), CAR, Loans (LDR), BOPO, and DPK Growth (DG). While profitability does not individually influence company value, it collectively contributes to the company value (Tobin's Q) in conjunction with other factors
Iskandar et al., (2020)	NPL significantly influences the price-earnings ratio, and ROA also has a noteworthy impact on PER. Additionally, the capital adequacy ratio significantly affects PER
Kadek et al., (2021)	NPL have a negative significant on ROA
Kusumaningrum & Iramani, (2020)	The test results show that the NPL ratio does not have a significant negative effect on ROA. The LDR ratio does not have a significant positive effect on ROA
Safri et. al (2020)	The variables that have a positive effect on stock returns are the CAR, ROE and BOPO variables. The ROA and LDR variables have no effect on profit growth, and NPL has a negative effect on stock returns
Anggia, G., & Suteja, J. (2019).	Investment decisions, funding decisions and dividend policy jointly influence financial performance by 22.50%, while partially they influence financial performance by 10.0%, 7.78% and 4.72% respectively. Furthermore, financial performance influences company value by 33.7%.
Anwar. M. (2019)	The average cost efficiency of banks in Indonesia tends to increase. Bank size, profitability, capital adequacy, loans for savings, and credit risk management are internal variables that influence bank cost efficiency in Indonesia. Macroeconomic indicators influence the cost efficiency of Indonesian banking.
Sudarjah et al (2021)	Simultaneously there are three variables that are positively related but not balanced, namely CAR, DPK and BI Rate. Meanwhile, the NPL and exchange rate variables have a good relationship with exchange rate results. If seen from the coefficient value of each variable, the NPL and Exchange Rate variables have quite a large influence on profitability performance.

Source: Processed by Author, 2013

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Based on the previous reseach on Table 1. The hypothesis in this research are frist, there is a simultaneous influence of NPL, LDR, BOPO, BI Interest Rate and Inflation Rate on ROA in Book 4 Banks. Second, there is an influence of Banking Profitability (ROA) on Company Value in Book 4 Banks and third, There is an influence of Banking Profitability on Company Value which is moderated by Banks' Dividend Policy Book 4.

METHOD

This research was carried out by searching data from official websites, namely; Indonesia Stock Exchange (BEI) (www.idx.co.id), Bank Indonesia (BI) (www.bi.go.id) and from the Financial Services Authority (OJK) (www.ojk.go.id). Data obtained from BEI includes Company Financial Report data, data originating from BI including Bank Indonesia Interest Rates and Inflation Rates as well as Book 4 Bank websites with observation periods 2011 – 2020.

Table 2. Summary of Variable Observations

Variable	Remark	Indicator	Size	Scale
Loan Quality (x1)	Loan Distribution is the largest and main income in the banking sector obtained from Interest Income, this is because the main activity of banks is collecting funds and distributing Loan	NPL	NPL = Loans Problem: Total Loan x100%	Ratio
Third-party funds (x2)	It represents the proportion between the aggregate loan amount distributed by the bank and the overall funds received from diverse sources, including Third Party Funds.	LDR	LDR = Total Loan: Third Party Funds x 100%	Ratio
Managerial Efficiency (x3)	Ratio that can provide an assessment of operational efficiency. The ratio between total operational expenses and total operational income, where the ratio is calculated per position. Ratios that can provide an assessment of banking efficiency	BOPO	BOPO = Operating Costs: Operating Income x100%	Ratio
BI Interest Rate (x4)	Interest Rate indicator released by Bank Indonesia	BI Rate	BI Rate Interest Rate	Ratio
Inflation Rate (x5)	An indicator to see the level of currency changes in the price of goods, and it is considered that inflation occurs if the price increase process takes place continuously and influences each other.	Inflation is measured by the consumer price index	Inflation = CPIn – IHKn-1 : CPIn-1 x 100%	Ratio
Banking Profitability (y)	It is a ratio that shows how much an asset contributes to creating net profit. The higher the ROA value, the more investors assess and have a good perception of future financial performance (Hery, 2016)	ROA	ROA = Net Profit: Total Assets x 100%	Ratio
The value of the company (z)	It is an approach that can be used to determine the value of a company, namely: (1) book value; (2) Appraisal Value; (3) Stock Market Value; (4) Cash Flow Value. (Atmaja et al. (2008)	PER	PER = Price Per Share: Earning Per Share x100%	Ratio

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Variable	Remark	Indicator	Size	Scale
Dividend Policy (m)	This is a financial ratio that is more often used by investors to determine the results of their investments. DPR = Dividend Payout Ratio DPS = Dividend Per Share EPS = Earnings Per Share	DPR	DPR = DPS : EPS	Ratio

Source: Processed by Author, 2013

The samples chosen in this research were 10 populations of Bank Book 4 as listed in Indonesia Stock Exchange. The following is a list of Commercial Bank companies based on Business Group (Bank Book 4, which consists of 10 banks) listed on the Indonesia Stock Exchange for the period 2011 - 2020 which were used as research samples, as follows:

Table 3. Sample of Banking Sector Companies Book 4 Banks

No	Issuer Code	Issuer Name
1	BBCA	PT Bank Central Asia Tbk
2	BMRI	PT Bank Mandiri (Persero) Tbk
3	BBRI	PT Bank Rakyat Indonesia (Persero) Tbk
4	BBNI	PT Bank Negara Indonesia (Persero) Tbk
5	PNBN	PT Bank Pan Indonesia Tbk
6	BDMN	PT Bank Danamon Indonesia Tbk
7	BNGA	PT Bank Commerce International Merchant Bankers (CIMB) Niaga Tbk
8	BTPN	PT Bank Tabungan Pensiunan Nasional (BTPN) Tbk
9	NISP	PT Bank Oversea-Chinese Banking Corporation Inti Sari Simpanan Value (Bank OCBC NISP) Tbk
10	BNLI	PT Bank Permata Tbk

Source: Indonesia Stock Exchange - www.idx.co.id

Figure 1. explain the research design of consist of three parts, the first part or equation 1 consist of variable x against y, the second part or equation 2 consist of variable y against z and the last part or equation 3 consist of y with moderating variable against z.

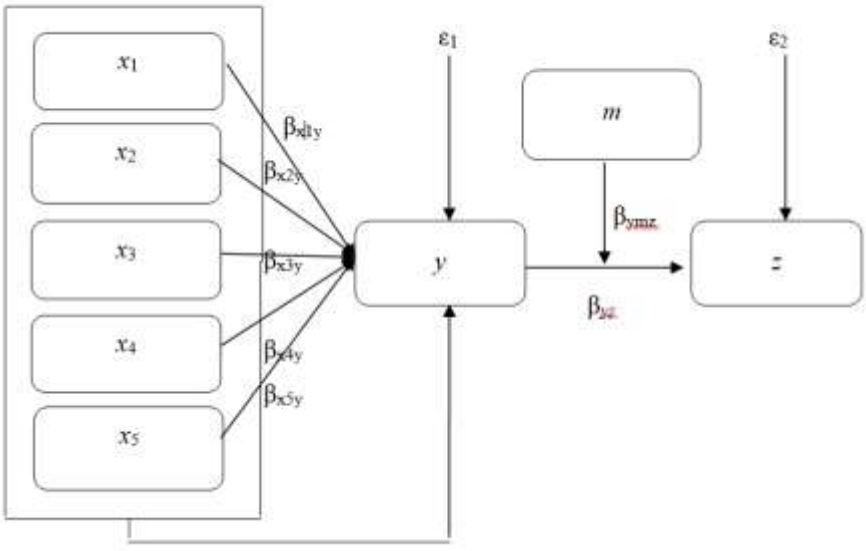

Figure.1. Research design
Source: Processed by Author, 2023

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Information as follows x_1 = Loan Quality, x_2 = Third Party Funds, x_3 = Managerial Efficiency, x_4 = Bank Indonesia Interest Rate, x_5 = Inflation Rate, y = Banking Profitability, z = Company Value, m = Dividend Policy, ε = epsilon, namely showing residual factors as a result of variable measurement errors. The description of the regression coefficient is as follows $\beta x_1 y$ = regression coefficient of variable x_1 against y, $\beta x_2 y$ = regression coefficient of variable x_2 against y, $\beta x_3 y$ = regression coefficient of variable x_3 against y, $\beta x_4 y$ = regression coefficient of variable x_4 against y, $\beta x_5 y$ = regression coefficient of variable x_5 against y, βyz=regression coefficient of variable y against z, βymz = regression coefficient of variable y moderated by m against z.

With the following equation:

$$\bar{y} = \beta_0 + \beta x_1 y x_1 + \beta x_2 y x_2 + \beta x_3 y x_3 + \beta x_4 y x_4 + \beta x_5 y x_5 + \varepsilon_1 \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots 1$$

$$z = \beta_{01} + \beta yz\ \bar{y} + \varepsilon_2 \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots 2$$

$$z = \beta_{01} + \beta ymz\ \bar{y}.m + \varepsilon_3 \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots 3$$

RESULT

The result of research will be divided by 2 sections. The first section explain descriptive analyzes about the descriptive of variable portfolio and the second section explain verificative analyzes about the Panel Regression of 3 equation based on figure 1. Research Design.

Result of Verificative Analysis - Panel Regression

In this study, panel data regression was conducted utilizing three models: the Common Effects Model, Fixed Effect Model, and Random Effect Model. The selection of a specific model is contingent upon the researcher's adherence to certain assumptions and the satisfaction of conditions necessary for accurate statistical data processing, ensuring that the results are statistically justified.

Equation 1. Simultaneous Influence of Loan Quality, Third Party Funds, Managerial Efficiency, Bank Indonesia Interest Rates, and Inflation Rates on Banking Profitability.

Linear Regression Testing Panel Data Equation l

To determine Common Effects Model or Fixed Effect Model The most appropriate method for estimating panel data is the Redundant Fixed Effect Test or what is known as the Chow test. The hypothesis in the chow test in research is as follows:

1) If the cross-section chi-square probability <0.05 then the choice is Fixed Effect Model.
2) If the cross-section chi-square probability is > 0.05 then the choice is Common Effects Model

The results of the redundant fixed effect test show that the probability of the cross-section chi-square is $0.000 < \alpha = 0.05$, so according to the decision criteria the model chosen is Fixed Effect Model better to use compared to Common Effects Model. Because the chow test determines Fixed Effect Model then it is necessary to carry out further testing with the Hausman test to determine Fixed Effect Model or Random Effect Model used.

The Hausman test results show a random cross-section probability value of $0.0499 < \alpha = 0.05$, meaning Fixed Effect Model which is more appropriate to use compared to Random Effect Model to estimate panel data. The results of the Chow Test and Hausman Test produce a Fixed Effect.

Fixed Effect Model Panel Data Linear Regression Results

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Table 4. Fixed Effect Model Multiple Linear Regression Results

Dependent Variable: ROA

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	9.742208	1.765145	5.519212	0.0000
NPL	0.117061	0.032403	3.612601	0.0003
LDR	0.858482	0.204627	4.195352	0.0000
BOPO	0.144992	0.063045	2.299831	0.0220
BIRATE	0.069712	0.028400	2.454661	0.0145
INFLATION	-0.083211	0.029882	-2.784612	0.0056

R-squared	0.684653	Mean dependent var	2.003750
Adjusted R-squared	0.670665	SD dependent var	1.049197
SE of regression	0.687473	Akaike info criterion	2.122783
Sum squared resid	182.4308	Schwarz criterion	2.262485
Log likelihood	-410.5567	Hannan-Quinn Criter.	2.178107
F-statistic	41.79567	Durbin-Watson stat	1.646672
Prob(F-statistic)	0.000000		

Source: Data processed by eviews 10

Based on the table above, the results of multiple linear regression on panel data can be presented as follows;

ROA = 9.742 + 0.117 NPL + 0.858 LDR + 0.145 BOPO + 0.069 BIRATE - 0.083 INFLATION

The simultaneous hypothesis tested is the influence of loan quality, third party funds, managerial efficiency, Bank Indonesia interest rates and inflation rates on banking profitability with statistical hypotheses. Based on the data in the table, the F test results in this study have an F-statistic value of 41.79567 > F table of 1.965, a positive F-statistic value indicates a unidirectional relationship and a probability value (F-statistic) of 0.0000 < α = 0.05 which means it has a significant effect, this shows that the variables Loan Quality, third party funds, managerial efficiency, Bank Indonesia interest rates and inflation rates simultaneously have a significant and positive effect on banking profitability which is included in the category in Banks Book 4 .The magnitude of the influence of Loan Quality, Third Party Funds, Managerial Efficiency, Bank Indonesia Interest Rates and Inflation Levels is shown by the regression results of these five independent variables on Banking Profitability, namely Adjusted R Square =0.6706 or 67.06%, meaning variable Loan Quality, Third Party Funds, Managerial Efficiency, Bank Indonesia Interest Rates and Inflation Rates can simultaneously explain 67.06%changes in Banking Profitability, the remaining 32.84% is influenced by factorsother factors outside the model studied.

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Equation 2. The Effect of Banking Profitability on Company Value

Table 5. Fixed Effect Model Multiple Linear Regression Results

Dependent Variable: PER

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	9.341236	0.361721	25.82445	0.0000
ROA	0.198861	0.011359	17.50747	0.0000

R-squared	0.721538	Mean dependent var	13.69000
Adjusted R-squared	0.719521	SD dependent var	18.53788
SE of regression	5.258970	Akaike info criterion	6.184862
Sum squared resid	10758.48	Schwarz criterion	6.294627
Log likelihood	-1225.972	Hannan-Quinn Criter.	6.228331
F-statistic	456.8831	Durbin-Watson stat	1.773513
Prob(F-statistic)	0.000000		

Source: Data processed by Eviews 10

Based on the table above, the results of multiple linear regression on panel data can be presented as follows;

PER = 9.341 + 0.198 ROA

Based on the table above, it is known that the t-statistical value is17.50747< t-table of 1.658, a positive t-statistic value indicates the direction of the relationship is in the same direction. Probability value (p-value) 0.0000< α 0.05 so that H0 (insignificant influence) is rejected and Ha (significant influence) is accepted. Thus, it is proven that Banking Profitability has a significant and positive effect on Company Value in Book 4 Banks.

The Coefficient of Determination assesses the extent to which changes in the independent variables collectively impact changes in the dependent variables, aiming to gauge the accuracy and robustness of the relationship within the employed model. The Adjusted R^2 value ranges between 0 and 1. A value closer to 1 indicates a well-fitting model, signifying a higher proportion of variance in the dependent variable explained by the independent variable. In the context of the impact of Banking Profitability on Company Value, the R^2 value is 0.721538, indicating that 72.15% of the variance in Company Value at Banks Book 4 is influenced by Banking Profitability, while the remaining 27.85% is attributed to other factors beyond the scope of the examined model.

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Equation 3. The Effect of Banking Profitability on Company Value as Moderated by Dividend Payout Policy

Table 6. Fixed Effect Model Multiple Linear Regression Results

Dependent Variable: PER

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	1.009023	0.035757	28.21887	0.0000
ROA*DPR	0.398102	0.025544	15.58468	0.0000

R-squared	0.768260	Mean dependent var	1.498480
Adjusted R-squared	0.767444	SD dependent var	1.894811
SE of regression	0.341883	Akaike info criterion	0.718421
Sum squared resid	45.46800	Schwarz criterion	0.828187
Log likelihood	-132.6842	Hannan-Quinn Criter.	0.761890
F-statistic	1186,699	Durbin-Watson stat	1.029421
Prob(F-statistic)	0.000000		

Source: Data processed by Eviews 10

Based on the table above, the results of multiple linear regression on panel data can be presented as follows;

PER = 1.009 + 0.398 ROA*DPR

The magnitude of the influence of Banking Profitability moderated by Dividend Policy on Company Value is shown by the R-Squared value =0.768260, meaning the magnitude of the influence of Banking Profitability moderated by Dividend Policy on Company Value inBanks Book 4amounting to 76.82 %, the remaining 23.18 % was influenced by other factors outside the model studied.

DISCUSSION

Simultaneous Influence of Loan Quality, Third Party Funds, Managerial Efficiency, Bank Indonesia Interest Rates, and Inflation Rates on Banking Profitability. (Equation 1)

The research results show that Loan Quality, Third Party Funds, Managerial Efficiency, Bank Indonesia Interest Rates, and Inflation Rates on Banking Profitability simultaneously have a significant and positive effect. This means that if Loan Quality, Third Party Funds, Managerial Efficiency, Bank Indonesia Interest Rates, and Inflation Rates are increased simultaneously (simultaneously), banking profitability will increase. The magnitude of the influence of these five variables on banking profitability is 67.06%, the remaining 32.84% is influenced by other factors outside the structure studied. The test results of Kusumaningrum & Iramani, (2020) show that the Non Performing Loan (NPL) ratio has no significant negative effect on Return on Assets (ROA), the Loan to Deposit Ratio (LDR) ratio has no significant positive effect on ROA, Capital Adequacy Ratio (CAR) has no significant positive effect on ROA, Operational Costs on Operating Income (BOPO) has a significant negative effect on ROA, BI Rate has a significant positive effect on ROA, Return on Assets (ROA) has a significant positive effect on stock price returns.ROA has a negative and significant effect on the BUMN Bank Share Price Index. Sugianto et al. (2021) research results show that simultaneously the ROA variable in this research has a significant influence on profitability because ROA is a way of looking at a company, whether the company is good or not. Meanwhile, the variables Inflation, Interest Rates and Market Share have an insignificant influence on Profitability.

The Effect of Banking Profitability on Company Value. (Equation 2)

Banking profitability has a significant and positive effect on company value. Banking profitability has a positive regression coefficient value of 0.198. This figure shows that every one percent increase in banking profitability will increase company value by 0.198 %. Increasing banking profitability will increase the value of banking sector companies. One measure to see banking financial performance is through Return on Assets (ROA). ROA is used as a measure of financial performance and is used as a dependent variable because ROA is used to measure a company's effectiveness in generating profits by utilizing the assets it owns. In this research, the profitability that will be measured is banking profitability. If profitability reflects high profits, it will affect the bank's share price. The greater the ROA of a bank, the greater the level of profit achieved by the bank and the better the bank's position in terms of asset use. The company value is the same as the share price, that is, if the number of shares is multiplied by the market value per share plus the market value of debt, where if we consider the debt value constant, then every increase in share price will automatically increase the value of the company. This is actually why we say an increase in company value is the same as an increase in share price. Financial managers who want their company to progress not only pay attention to the interests of shareholders but also the interests of workers, management, creditors, providers and customers. Return On Assets (ROA) and Net Interest Margin (NIM) have a significant influence on the Price Earning Ratio at National Private Commercial Banks with Foreign Exchange on the Stock Exchange The Indonesian effect and partially the Profitability variable which have a significant positive influence on the Price Earning Ratio are Return On Assets (ROA) and Net Interest Margin (NIM). Meanwhile, Return On Equity (ROE) has a positive and insignificant influence on the Price Earning Ratio of National Private Commercial Banks with Foreign Exchange on the Indonesian Stock Exchange.

The Effect of Banking Profitability on Company Value as Moderated by Dividend Policy. (Equation 3)

Banking Profitability moderated by Dividend Policy has a significant and positive effect on Company Value. Banking profitability which is moderated by dividend policy has a positive regression coefficient value of 0.398. This figure shows that every one percent increase in banking profitability moderated by dividend policy will increase company value by 0.398 percent. Increasing banking profitability moderated by dividend policy will increase the value of banking sector companies. Company value is the present value of future income (future free cash flow).

Dividend Payout Ratio is the percentage of profit received by shareholders by comparing dividends per share with profits per share. Dividends are also used to determine the level of prosperity of shareholders. The higher the dividends received by shareholders, the better the shareholder's prosperity. Dividend policy can strengthen financial performance towards company value. Banks focus more on things that banks say can increase company value, with a good dividend policy banks can strengthen ROA on company value (Kusnadi, 2019).

Having a policy of paying cash dividends to shareholders will further increase the value of the company. In other words, the company will be able to maximize company value if investors' hopes of getting a rate of return in the form of cash dividends can be realized. Information about the cash dividend payment policy contains signals related to the company's future prospects. This study predicts that dividend policy is able to moderate the effect of profitability on company value.

Company value is used as a measure of the success of company management in future operational prospects. The research results of Rutin et al (2019) show that Liquidity and Activity have an insignificant effect on company value, while Leverage and Profitability have a significant effect on Manufacturing Company Value for the 2013-2017 period. Dividend Policy moderates the effect of Liquidity and profitability on company value, while Dividend Policy cannot moderate the influence of Leverage and Activity on Company Value.

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CONCLUSION

Based on the data analysis and discussion carried out in the previous chapter, the researcher drew the following conclusions that the variables Loan Quality, third party funds, managerial efficiency, Bank Indonesia interest rates have a significant positive influence on banking profitability while the inflation rate has a significant and negative influence on banking profitability. These five variables can increase banking profitability which has an impact on the value of banking sector companies both directly and through moderating variables with dividend policy. Banking Profitability partially has a significant and positive effect on Company Value in Book 4 Banks. Further analysis with Migration Regression Analysis using Dividend Policy as moderated variable show that Banking Profitability which is moderated by Dividend Policy partially has a significant and positive effect on Company Value in Book 4 Banks.

To increase banking profitability, apart from matters related to the five variables that have been conveyed in the discussion and conclusions and the results have shown good conditions. The following are various general strategies and actions that can be implemented by banking institutions that can help increase profitability in the banking sector, such as: a. Continue to prioritize operational efficiency by identifying and reducing unnecessary operational costs and implementing technology to increase operational process efficiency, b. Carry out risk management well, carefully and structured to avoid losses, c. Expand product and service portfolio to reach broader market segments by paying attention to market trends and customer needs to identify appropriate diversification opportunities, d. Develop good marketing strategies to attract new customers, and conduct sales employee training to increase sales of banking products and services and e. Invest in technology that can improve operational efficiency and provide a better customer experience, and innovate such as digital banking and fintech services

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