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THE IMPACT OF FREE CASH FLOW AND LEVERAGE ON FIRM VALUE WITH DIVIDEND PAYOUT AS MEDIATOR VARIABLE

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ABSTRACT
The company was founded with targets or goals that the owner wants to achieve. These goals can be grouped into short-term and long-term goals. Increasing company value is one of the company's goals because firm value is a reflection of the company's good and bad performance, especially dividend performance which affects investor' views. This study aims to obtain empirical evidence of the effect of free cash flow and leverage on firm value with dividend payout as a mediator. The population of this study is all consumer goods industry companies listed on the IDX for the 2015-2019 period. The sample was determined based on a non-probability sampling method with a purposive technique in order to obtain 94 observations. The data analysis technique used in this study was path analysis with the single test. Based on the analysis, the results show that free cash flow has a positive effect on the dividend payout, while leverage has a negative effect on the dividend payout. The test of the direct effect of free cash flow and leverage on firm value shows the results, namely free cash flow has a positive effect, while leverage has no effect on firm value. Individually, the dividend payout ratio has a positive effect on firm value. In addition, the single test results show that the dividend payout is able to mediate the effect of free cash flow on firm value, while the dividend payout is not able to mediate the effect of leverage on firm value.

KEY WORDS
Firm value, free cash flow, leverage, dividend payout.

A high company value will certainly make investors confident about the company's performance and future prospects. Firm value arises from the market mechanism, namely the demand and supply of shares in the capital market which forms a price known as the market price. It is not an exaggeration that company value is the price that potential investors are willing to pay if the company is sold, and this is related to investor's perceptions of the company's level of success (Ratnaningsih, 2014). Firm value can be seen from the high and low price of the company's shares in the capital market. The higher the ratio of the stock market price to the book value, the higher the company value. Fundamentally, the firm's value depends on the existence of the expected future free cash flows. The existence of free cash flow in the company reflects the amount of funds held so that the company value is high in the eyes of the public. In addition, leverage is also needed in the company. If the management decides to take a debt loan as an alternative to funding, it can be said that the company has carried out financial leverage. Leverage is used to determine the amount of use of debt in its capital structure by a company. The inconsistency of research results regarding the effect of free cash flow and leverage on firm value is the basis behind this research by adding dividend payout as a mediating variable. Dividend payout was chosen as a mediating variable, because the existence of free cash flow and leverage in the company triggered agency conflicts between shareholders and management regarding the use of funds within the company. This study examines the effect of free cash flow and leverage on company value recorded in the Consumer Goods Industry with dividend payout as a mediating variable. The consumer goods company was chosen as the object of research because this company has a large market potential because it is supported by a large number of consumers whose orientation is to the needs of public consumption. The company is seen as being able to present competent accounting information so that it can become the

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basis for making investment decisions. Business dynamics and management's ability to manage company assets make research on dividends and company value important to be carried out on an ongoing basis. In addition, research results related to performance variables including free cash flow and leverage on firm value show different results, so it is considered important to carry out further research by placing a logical order of variables.

LITERATURE REVIEW

Agency theory is a theory that describes the agency relationship between agent and principal. The agency relationship is a contract between the management as the agent and the shareholder as the principal (Jensen and Meckling, 1976). Management is the party given the trust to supervise and manage companies owned by shareholders and make every decision based on the interests of the shareholders. Management in carrying out its duties is obliged to improve the welfare of shareholders by increasing the value of the company. Management as a manager has more information than shareholders regarding the condition of the company. If management and shareholders have the same goals, it is believed that management will act in the interests of the shareholders (Herliana, 2016). If management and shareholders have different interests, then management will tend to act opportunistically to prioritize their personal interests and ignore the interests of the principal. This will lead to agency conflicts and to minimize agency costs.

Brigham and Houston (2014) state that signaling theory is a sign or signal that companies give investors to reduce information asymmetry between companies and investors. This signal is in the form of information about what management has done to realize the owner's wishes. Information released by the company is important, because it affects the investment decisions of parties outside the company. This information is important for investors and business people because information essentially provides information, notes or descriptions, both for the past, present and future conditions for the survival of the company and how it affects the company. For this reason, the manager will provide signals to interested parties about the company's performance through an annual report. The signal referred to is an action or management decision, one example of which is through dividends. If the company distributes dividends to shareholders, this signal is good news for investors. Meanwhile, if a company cuts or does not distribute dividends to shareholders, this signal is bad news for investors.

In addition to using dividends as a signal, companies can also use debt financing as a positive signal to investors (Septiani et al, 2018). Companies that have confidence in the prospects and confidence in the increase in share prices, the company wants to communicate this to investors. The use of more debt can be a more reliable signal by the company to investors. This is because companies that dare to increase the use of debt are seen as companies that are confident in the company's future prospects. Investors are expected to catch positive signals about the company's future prospects.

Research Hypothesis

Effect of Free Cash Flow on Dividend Payout

Free cash flow is the excess of the company's net cash that can be used to finance investments and pay dividends. Jensen (1986) suggests that free cash flow owned by companies should be distributed as dividends or used to pay debts in order to avoid the possibility of managers making investments that produce negative net present value. The existence of free cash flow in the company triggers agency conflicts. Agency theory explains that agency conflicts occur because of differences in interests between shareholders and management regarding the use of the company's excess free cash. Shareholders tend to ask management to use the excess free cash flow of the company to pay dividends to shareholders to improve shareholder welfare. Previous research found that free cash flow has an effect on dividend policy which is proxied by the dividend payout ratio (Greory and Wang (2010), Sari and Budiasih (2016), Putri and Putra (2017), Andrini and Ardini (2018), Mancinelli and Ozkan (2006), Kouki and Guzani (2009), Rosdini, (2009), Thanatawee

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(2011), Lucyanda and Lilyana (2012), Arfan and Maywindlan (2013), Efni (2013). The higher the free cash flow available in the company, the higher the chances of dividends being distributed to shareholders will also increase. Based on this description, the following hypothesis can be formulated.

H_1: Free cash flow has a positive effect on the dividend payout.

Effect of Leverage on Dividend Payout

The leverage in this study is calculated by the leverage ratio which shows the ratio between the total liabilities and the company's total assets, therefore the leverage in this study is proxied by the debt of asset ratio. This ratio shows the amount of assets owned by a company that is financed with debt. Debt is used as an addition to funding company assets and it is hoped that with the increase in company assets, the company's operational activities can increase so that in the end it will have an impact on increasing profits for the company. Agency theory explains that agency conflicts occur because of differences in interests between shareholders and management. This difference in interest requires management to make the right decisions to use the funds. In this case the management wants to use the funds to pay off debts while the shareholders want to use the funds to be distributed in dividends. If the leverage is effective, the investment will be profitable and the company's profit will increase, so that the profitable investment can be used to distribute dividends. If the company's profit increases, the share of profit paid to shareholders (dividends) will automatically increase. Debt can be used to increase company value. However, the use of too large debt will reduce the company's net profit, because it will cause a large interest expense as well. If the company tends to use a source of funding from debt, then the company will experience a greater risk of bankruptcy. The risk of bankruptcy that will be experienced by the company due to the use of too large debt can be overcome with a debt policy. Previous research by Kherismawati, (2017), Sari and Sudjarni (2015), Mohamadi and Amiri (2016), Van and Nguyen (2014), Manneh and Nasser (2015), Jensen et al (1992), Budi (2009), Danang and Sunindyo (2010), Jannati (2010), Handoyo (2013), and Lopulasi (2013) stated that leverage has an effect on dividend policy. Based on this description, the following hypothesis can be formulated.

H_2: Leverage has a negative effect on the dividend payout.

Effect of Dividend Payout on Firm Value

Dividends are part of the company's net income which is distributed to shareholders. Based on agency theory, shareholders and management have different interests regarding the distribution of dividends. In the case of earnings managers, management tends to choose to hold company profits as retained earnings so that they can be used for future investment, while shareholders want the company's profits to be distributed in the form of dividends to improve their welfare. The theoretical dividend payment policy contains very important information for market players and issuers (Bhattacharya, 1979). Gordon (1963) states that high dividend distribution can increase firm value. Signal theory is an action taken by companies to provide clues to investors about how management views the company's prospects (Brigham and Houston, 2014). This signal is in the form of information about what management has done to realize the owner's wishes. Information released by the company is important, because it affects the investment decisions of parties outside the company. This information is important for investors and business people because information essentially provides information, notes or descriptions, both for the past, present and future conditions for the survival of the company and how it affects the company. For this reason, the manager will provide signals to interested parties about the company's performance through an annual report. The signal referred to is an action or management decision, one of which is through dividends. If the company distributes dividends to shareholders, this signal is good news for investors. Meanwhile, if a company cuts or does not distribute dividends to shareholders, this signal is bad news for investors. Previous research conducted by Fenandar (2012), Rizqia, Aisjah and Sumiati (2013), Febriana, Djumahir and Achmad Helmy Djawahir (2016), Sedana (2016), Senata (2016), and Esana and Darmawan (2017) found that policy Dividend, which is

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proxied by the dividend payout ratio, has a significant positive effect on firm value. The information contained in the dividend payout policy can affect the value of the company. When a company decides to distribute dividends, this is a positive signal for investors or potential investors that the company is able to earn profits and improve shareholder welfare. This will affect the public's assessment of the company, so that these positive signals can increase company value. Based on this description, the following hypothesis can be formulated.

H_3: Dividend payout has a positive effect on firm value.

Effect of Free Cash Flow on Firm Value

Free cash flow (free cash flow) is an excess of cash flow from funding all investments that produce a positive net present value (NPV) (Jensen, 1986). Brigham, Ehrhardt and Fox (2016: 66) also suggest that free cash flow is the amount of cash available to be distributed to investors. Signal theory is the information content used to predict the company's prospects in the future. Ghodrati and Hashemi (2014) state that the presence of free cash flow in the company is a positive signal that can be conveyed to investors about the company's future prospects that illustrate the ability to create cash in the future. The high performance of the company will increase the value of the company which is manifested in the form of high returns through dividends, stock prices, or retained earnings to be invested in the future. In addition, the surplus of internal funds will increase the company's ability to pay or settle short-term and long-term liabilities. The high ability to pay off this obligation shows the company's ability to face financial difficulties in the future so that it will get a positive response from investors in the market (Andini and Wirawati, 2014). Previous research conducted by Hermuningsih (2016), Al-Zararee and Al-Azzawi (2016), Ghodrati and Hashemi (2014), Andini and Wirawati (2014) and Su Journalist and Yasa (2016) found that free cash flow has a positive effect on the value of the company. A positive relationship shows that companies that have high free cash flow will reduce the company's performance and high value. The existence of free cash flow in the company reflects the amount of funds owned so that the company's value reflects the amount of funds owned so that the company's value will be high in the eyes of the public. In addition, companies that have high free cash flow tend to be able to survive even in bad conditions, because they have sufficient internal funds to meet the company's needs. This is also a signal to investors regarding the company's future prospects. The higher the free cash flow of the company, the better the company's performance so that the company's ability to prosper its shareholders is higher. Based on this description, the proposed research hypothesis is as follows.

H_4: Free cash flow has a positive effect on firm value.

The Effect of Leverage on Firm Value

Leverage is used by potential investors as the basis for investing in the company, total debt and total assets, both of which are used by them to see the level of risk. According to Dewi et. al. (2014) when the leverage increases, the company will have a higher risk of debt so that it can reduce the value of the company because companies with high levels of debt will have high risk shares. Signal theory explains a sign or signal that companies give to investors to reduce information asymmetry between companies and investors. This signal is in the form of information about what management has done to realize the owner's wishes. Leverage gives investors a signal that can be used as a basis for making investment decisions. This signal can be in the form of an increase in debt, where the company wants to provide information to investors that the company is in good condition and has good future prospects to pay off its obligations. In addition, the use of appropriate leverage will reduce corporate tax costs. Previous research by Anton (2016) shows that leverage has a positive effect on firm value. This is in line with the results of research conducted by Prastuti and Gede (2016), Wiksuana (2016), Tarihoran (2016), Angga and Wiksuana (2016), Nelwan and Joy (2018), Tunggal and Ngatno (2018), Anggraeni (2018)), Safitri and Wijaya (2014), Pantow et al (2015), and Limbong and Mochammad (2016). Based on this description, the proposed research hypothesis is as follows.

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H_5: Leverage has a positive effect on firm value.

The Effect of Free Cash Flow on Firm Value through Dividend Payout

Free cash flow is the company's net cash excess that can be used to finance investments and pay dividends (Arieska and Gunawan, 2013). Increasing free cash flow is one way for management to increase company value, so that many investors will be interested in investing in the company. Signal theory is an action taken by companies to provide clues to investors about how management views the company's prospects (Brigham and Houston, 2014). Ghodrati and Hashemi (2014) state that the presence of free cash flow in the company is a positive signal that can be conveyed to investors about the company's future prospects that illustrate the ability to create cash in the future. The signal referred to is an action or management decision, one of which is through dividends. If the company distributes dividends to shareholders, this signal is good news for investors. Meanwhile, if a company cuts or does not distribute dividends to shareholders, this signal is bad news for investors. The high performance of the company will increase the value of the company which is manifested in the form of high returns through dividends (Andini and Wirawati, 2014). Jensen (1986) states that free cash flow owned by companies should be distributed as dividends or used to pay debts in order to avoid the possibility of managers making investments that produce negative net present value. Dividends distributed by the company provide a positive signal for investors so that they can increase the value of the company. Therefore, when the company's free cash flow is high, the opportunity for dividend distribution is also higher. The high amount of dividends paid will trigger an increase in the prosperity of shareholders so that it is expected to increase the share price which is a reflection of the company's value. Based on this description, the following hypothesis can be formulated.

H_6: Dividend payout is able to mediate the effect of free cash flow on firm value.

Effect of Leverage on Firm Value through Dividend Payout

In the company the manager first chooses to use internal funds in funding his projects. However, when internal sources are no longer sufficient, the company uses external sources of funds in the form of debt (Octaviani, 2016). Companies consider that the use of debt is considered safer than issuing new shares for several reasons. First, is the consideration of emission costs. The cost of issuing debt will be cheaper than the cost of issuing new shares. This is because the issuance of new shares will reduce the price of old shares. Second, managers worry that the issuance of new shares will be interpreted as bad news by investors and cause the stock price to fall. This is due, among other things, to the possibility of information asymmetry between the manager and the investors. Agency theory explains that agency conflicts occur because of differences in interests between shareholders and management (Jensen and Meckling, 1976). This difference in interest requires management to make the right decisions to use the funds. In this case the management wants to use the funds to pay off debts while the shareholders want to use the funds to be distributed in dividends. If the leverage is effective, the investment is profitable and the company value increases, so that the profitable investment can be used to distribute dividends. Based on this description, the following hypothesis can be formulated.

H_7: Dividend payout is able to mediate the effect of leverage on firm value.

METHODS OF RESEARCH

This study uses quantitative data in the form of company annual financial reports and other data related to research. The data source used in this research is secondary data. The population in this study were all companies listed on the Consumer Goods Industry on the IDX for the 2015-2019 period. The research sample was taken based on non probability sampling method with purposive sampling technique in order to obtain 185 observations. The data analysis technique used in this study was path analysis with the single test.

Firm Value (Y) is a public assessment of the company's performance as seen from its

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share price. Firm value as reflected in the stock price is proxied by price to book value, which is the comparison between the company's stock price as assessed by the market and the share book value (Ratnaningsih, 2014). Price to book value can be formulated as follows.

$$Price\ to\ Book\ Value\ (PBV) = \frac{\text{Share Price Per Sheet}}{\text{Book Value Per Share}}$$

Free Cash Flow (X_1**)** is the excess of net cash flow from operating activities available in the company so that it can be used to pay dividends or be reinvested. In this study, free cash flow is proxied by referring to research by Mardasari (2014), namely:

$$FCF = \frac{CFO - Net\ Capital\ Expenditur - Changing\ in\ Working\ Capital}{\text{Total assets}}$$

Where: FCF = *Free cash flow*; CFO = *Cash flow from operations*; *Net Capital Expenditure* = Net capital expenditures (fixed assets value of the end - the beginning of the value of fixed assets); *Changing in Working Capital* = Changes in working capital (working capital at end of year - working capital at the beginning of the year or (end of year current current assets - end of year current current loans) - (assets current at the end of the year - beginning of year current current loans).

Leverage (X_2), according to Brigham and Houston (2010), the definition of the debt ratio is one of the sources of funding that a company can use to finance its expenses provided by creditors. The debt ratio is used to describe the total assets of a company that is financed by debt. The debt ratio can be calculated by comparing the book value of all debts divided by total assets. Based on the explanation above, the measurement of the company's debt level can be measured by the formula:

$$DAR = \frac{\text{Total Debt}}{\text{Total Asset}}$$

Where: DAR = *Debt to Asset Ratio*.

Dividend Payout (Z), dividends are part of the company's profit that is distributed to shareholders based on the number of shares owned. Dividend payment to shareholders is the company's goal, which is to improve the welfare of shareholders. The dividend payout in this study is proxied by the Dividend Payout Ratio (Mardasari, 2014), namely:

$$Dividend\ Payout\ Ratio = \frac{\text{Dividend Per Share}}{\text{Earnings Per Share}}$$

RESULTS OF STUDY

Descriptive statistics are presented to provide information about the characteristics of the research variables, which include the minimum, maximum, average, and standard deviation values. Table 1 shows the descriptive statistics of the variables used in this study.

Table 1 – Descriptive Statistics Results

	N	Minimum	Maximum	Mean	Std. Deviation
DAR	94	0,05	0,77	0,3384	0,17405
DPR	94	-0,83	0,99	0,2974	0,31046
PBV	94	0,21	6,01	2,0252	1,36013
FCF	94	-0,26	0,32	0,0409	0,10055
Valid N (listwise)	94				

Source: Data processed, 2020.

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Table 1 shows the results of descriptive statistics for the proxy variable leverage (DAR), dividend payout (DPR), firm value (PBV), and free cash flow (FCF) during the analysis period, namely from 2015 to 2019.

Price to Book Value (PBV) is a proxy for the firm value variable which shows how much the market values the company's shares above their book value. Based on the results of the descriptive statistical test, the minimum PBV value was 0.21 and the maximum value was 6.01. Meanwhile, the average PBV value is 2.0252. Dividend Payout Ratio (DPR) is a proxy for the dividend payout variable which shows the amount of dividends distributed to shareholders from the amount of net profit the company receives. Based on the results of the descriptive statistical test, the DPR's minimum value was -0.83 with a maximum value of 0.99. Meanwhile, the average value of the DPR was 0.2974. Free Cash Flow (FCF) is a proxy for the free cash flow variable which shows the ratio between the difference in the company's cash flow to the total assets. Based on the results of the descriptive statistical test, the FCF minimum value was -0.26 with a maximum value of 0.32. While the average value is 0.0409. Debt to Asset Ratio (DAR) is a proxy for the leverage variable which shows the ratio of the book value of all debt divided by total assets. Based on the results of the descriptive statistical test, the minimum value of DAR was 0.05 with a maximum value of 0.77. While the average value is 0.3384.

Classic assumption test

The normality test aims to test the residuals of the regression models that are made normally distributed or not. A good regression model is a model that has a normal residual distribution. To test whether a model is nomally distributed or not, the Kolmogorov-Sminarnov test can be done by looking at sig (2-tailed). If sig (2-tailed) is greater than 0.05 (level of significance), it can be concluded that the analyzed residuals are normally distributed. The results of the Kolmogorov-Smirnov (K-S) test can be seen in Table 2 below.

Table 2 – Normality Test Results

		DAR	DPR	FCF	PBV
N		94	94	94	94
Normal Parameters[a,b]	Mean	0,3384	0,2974	0,0409	2,0252
	Std. Deviation	0,17405	0,31046	0,10055	1,36013
Most Extreme Differences	Absolute	0,089	0,124	0,099	0,139
	Positive	0,089	0,075	0,099	0,139
	Negative	-0,053	-0,124	-0,062	-0,091
Kolmogorov-Smirnov Z		0,861	1,205	0,957	1,348
Asymp. Sig. (2-tailed)		0,449	0,110	0,319	0,053

Source: Data processed, 2020.

Table 2 shows that Asymp. Sig. (2-tailed) is greater than the significance level of 0.05, which means that the regression model residuals are normally distributed.

The multicollinearity test aims to determine whether or not there is a correlation between the independent variables in a regression model. A regression model is said to be good if there is no correlation between the independent variables. Measuring the presence or absence of correlation between independent variables can be seen from the tolerance value above 0.10 and the Variance Inflation Factor (VIF) value below 10 which means there are no symptoms of multicollinearity. The multicollinearity test results can be seen in Table 3 below.

Table 3 – Multicollinearity Test Results

No	Variable	Nilai Tolerance	Nilai VIF
1	DAR	0,800	1,251
2	FCF	0,800	1,251
3	DPR	1,000	1,000

Source: Data processed, 2020.

Table 3 shows that the tolerance value for each independent variable is greater than 0.10 and the VIF value is less than 10, meaning that the regression model formed is free of

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multicollinearity.

The autocorrelation test was carried out to determine the effect of data from previous observations in a regression model. If a regression model contains autocorrelation symptoms, the predictions made with that model will produce biased predictions. The autocorrelation test was performed using the Durbin-Watson test (DW-test) or d statistics. The DW-test value will be compared with the DW table value using a significance level of 0.05 (5%). If dU <dW <(4-dU), then there is no autocorrelation, if dW <dL, then there is positive autocorrelation, if dW> (4-dU), then there is negative autocorrelation, and if dL <dW <dU or (4 -dU) <dW <(4-dL), so no conclusions can be drawn about the presence or absence of autocorrelation. The results of the autocorrelation test can be seen in Table 4 and Table 5 below.

Table 4 – Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin- Watson
1	0,329[a]	0,108	0,089	1,29837	1,990
	0,267[a]	0,071	0,061	1,31777	1,989

Source: SPSS Output Results, 2020.

Based on Table 4, it can be seen that the Durbin Watson (DW) value is 1.990. The DW value is between du = 1.7078 and 4-du (2.2922) so it can be concluded that the regression model used does not occur autocorrelation symptoms.

Based on Table 5, it can be seen that the Durbin Watson (DW) value is 1.989. The DW value is between du = 1.6857 and 4-du (2.1343) so it can be concluded that the regression model used does not occur autocorrelation symptoms.

Heteroscedasticity test is carried out to test whether the regression model has an inequality of variance from the residuals of one observation to another. A good regression model is a model that does not contain heteroscedasticity symptoms or has homogeneous variance. The test used is the Glejser test. The Glejser test is performed by regressing the independent variables on absolute residuals. If the level of significance is above 0.05, this regression model is free from heteroscedasticity problems. The results of the heteroscedasticity test can be seen in Table 6 below.

Table 6 – Heteroscedasticity Test Results

No	Variabel	Sig.	Keterangan
1	DAR	0,460	Heteroscedasticity free
2	FCF	0,311	Heteroscedasticity free
3	DPR	0,103	Heteroscedasticity free

Source: Data processed, 2020.

The F test is used to test the feasibility or validity of a regression model. The results of the F test can be seen in Table 7 and Table 8 below.

Table 7 – Model Feasibility Test Results (F Test)

Model	Sum of Squares		df	Mean Square	F	Sig.
1	Regression	18,642	2	9,321	5,529	0,005[b]
	Residual	153,403	91	1,686		
	Total	172,045	93			

Source: Data processed, 2020.

Table 8 – Model Feasibility Test Results (F Test) (continued)

Model	Sum of Squares		df	Mean Square	F	Sig.
1	Regression	12,286	1	12,286	7,075	0,009[b]
	Residual	159,759	92	1,737		
	Total	172,045	93			

Source: Data processed, 2020.

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Table 7 shows the results of the F count of 5.529 with a significance level of 0.005 which is smaller than the 0.05 significance level so that it can be concluded that the regression model made is feasible to use in the study. Table 8 shows the results of the F count of 7.075 with a significance level of 0.009 which is smaller than the 0.05 significance level so that it can be concluded that the regression model made is feasible to use in the study.

Path analysis is an extension of the application of multiple linear regression analysis used to predict the causality relationship between research variables. Path analysis serves to see the indirect effect of each variable contained in the research model. In path analysis, there are variables that play a dual role, namely as an independent variable in one relationship and a dependent variable in another relationship. Based on the results of data analysis, the direct influence between variables and the indirect effect can be seen in Table 9 and Table 10 below.

Table 9 – Result of Direct Influence Test Between Variables

Unstandardized Coefficients			Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
FCF to DPR	0,805	0,329	0,261	2,446	0,016
DAR to DPR	-0,405	0,190	-0,227	-2,129	0,036
DPR to PBV	1,171	0,440	0,267	2,660	0,009
FCF to PBV	3,989	1,497	0,295	2,664	0,009
DAR to PBV	-0,508	0,865	-0,065	-0,587	0,558

Source: Data processed, 2020ю

Based on Table 9, an estimate of the structural equation can be made as follows.

- Influence of FCF, DAR, and DPR on PBV:

PBV = 3,989FCF - 0,508DAR + 1,171DPR

- The influence of the FCF, and DAR on the DPR:

DPR= 0,805FCF - 0,405DAR

Based on Table 9 and the structural equation above, it can be explained that the free cash flow (FCF) variable has a significant positive effect on price to book value (PBV) and dividend payout (DPR) with a significance of 0.009 and 0.016 respectively which are smaller than the level significance of 0.05. However, the debt to asset ratio (DAR) variable had a significant negative effect on price to book value (PBV) and dividend payout (DPR) with a significance of 0.558 and 0.036, respectively. The dividend payout (DPR) variable also shows a significant positive effect on price to book value (PBV) with a significance of 0.009.

Based on Table 9, it is also known that the variable that has the greatest influence on firm value or PBV is the free cash flow or FCF variable, with a path coefficient of 3.989, then dividend payout or DPR of 1.171.

The strength of the indirect effect of the independent variable on the dependent variable through the mediating variable can be tested by using the Sobel test. The indirect effect of FCF to PBV through DPR is calculated by multiplying the unstandardized coefficients of the FCF path to the DPR (p1) by the DPR to PBV (p3) or p1xp3 route and the indirect effect of DAR to PBV through the DPR is calculated by multiplying the unstandardized path coefficients of the DAR to the DPR (p2) with the DPR to PBV (p3) or p2xp3 route. The standard error coefficient for FCF to PBV through DPR is written as Sp1 and Sp3, while the standard error for the coefficient for DAR to PBV through DPR is written as Sp2 and Sp3. The standard error for the indirect effect is Sp1p3 and Sp2p3 which are calculated using the following formula.

$$SP1P3 = \sqrt{p3^2\ Sp1^2 + p1^2\ Sp3^2 + Sp1^2\ Sp3^2}$$

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$$SP2P3 = \sqrt{p3^2\ Sp2^2 + p2^2\ Sp3^2 + Sp2^2\ Sp3^2}$$

To test the indirect significance, it is necessary to calculate the t value of the coefficients p1p3 and p2p3 with the following formula.

$$t1 = \frac{\text{p1p3}}{\text{Sp1p3}}$$

$$t2 = \frac{\text{p2p3}}{\text{Sp2p3}}$$

Based on Table 9, the calculation of the Sobel Test can be seen in Table 10 below.

Table 10 – Influence of Indirect Variables

	Path Coefficient	Quadratic Path Coefficient	Sp1p3	t_1
p1	0,805	0,648025	0,542989	1,73605
p3	1,171	1,371241		
Sp1	0,329	0,108241		
Sp3	0,440	0,193600		

	Path Coefficient	Quadratic Path Coefficient	Sp2p3	t_2
p2	-0,405	0,164025	0,297062	-1,59648
p3	1,171	1,317241		
Sp2	0,190	0,036100		
Sp3	0,440	0,193600		

Source: Data processed, 2020.

With a significance level of 0.05 and a degree of freedom of (df1) 91, it is obtained t table of 1.66177 and (df2) 92 it is obtained t table of 1.66159. Therefore, based on Table 10 it can be concluded that, t count is 1 , 73605 is greater than t table (1.66177), so that the dividend payout is able to mediate the effect of free cash flow on firm value. While the t value of -1.59648 is smaller than the t table (1.66159), so that the dividend payout is unable to mediate the effect of leverage on firm value.

The value of the coefficient of determination (R Square) shows the ability of the independent variable to explain the variation in the dependent variable. The results of the analysis of the coefficient of determination are presented in Table 11.

Table 11 – Test Results of the Coefficient of Determination (R Square)

Dependent Variable	Independent Variable	R *Square*
PBV	FCF,DAR	0,108
PBV	DPR	0,071
DPR	FCF,DAR	0,173

Source: Data processed, 2020.

Based on Table 11, it is known that the coefficient of determination (R Square) of the effect of free cash flow and leverage on firm value is 0.108, the coefficient of determination (R Square) of the effect of dividend payout on firm value is 0.071, and the coefficient of determination (R Square) of the effect of free cash flow and leverage on the dividend payout of 0.173. Therefore, the total value of the coefficient of determination (R Square Total) can be calculated as follows.

$$R^2_m = 1 - \{(1- R^2_1)\ (1- R^2_2)\ (1-R^2_3)\} = 0{,}3147$$

The total coefficient of determination (R square total) of 0.3147 means that 31.47 percent of the variation in firm value can be explained by the model formed, while the remaining 68.53 percent is explained by other variables outside the established model.

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Partial Significance Test (t-test)

The t statistical test basically shows how far the influence of one independent variable individually in explaining the dependent variable. The results of the t statistical test can be explained as follows Hypothesis Testing Results 1 (H_1) Based on the results of the t statistical test in Table 9, it is known that the free cash flow variable (FCF) shows a regression coefficient value of 0.805 with a significance level of 0.016 which is smaller than the 0.05 significance so that hypothesis 1 is accepted. This shows that the free cash flow variable has a significant positive effect on the dividend payout. Hypothesis Testing Results 2 (H_2) Based on the results of the t statistical test in Table 9, it is known that the leverage variable (DAR) shows a regression coefficient value of -0.405 with a significance level of 0.036 which is smaller than the 0.05 significance so that hypothesis 2 is accepted. This shows that the leverage variable has a significant negative effect on the dividend payout. Hypothesis Testing Results 3 (H_3) Based on the results of the t statistical test in Table 9, it is known that the dividend payout (DPR) variable shows a regression coefficient value of 1.171 with a significance level of 0.009 which is smaller than the 0.05 significance so that hypothesis 3 is accepted. This shows that the dividend payout variable has a significant positive effect on firm value. Hypothesis Testing Results 4 (H_4) Based on the results of the t statistical test in Table 9, it is known that the free cash flow variable (FCF) shows a regression coefficient value of 3.989 with a significance level of 0.009 which is smaller than the 0.05 significance so that hypothesis 4 is accepted. This shows that the free cash flow variable has a significant positive effect on firm value. Hypothesis Testing Results 5 (H_5) Based on the results of the t statistical test in Table 9, it is known that the leverage variable (DAR) shows a regression coefficient value of -0.508 with a significance level of 0.558 which is greater than the 0.05 significance so that hypothesis 5 is rejected. This shows that the leverage variable has no effect on firm value. Hypothesis Testing Results 6 (H_6)

Based on the results of the t statistical test in Table 9, it is known that through the single test the dividend payout (DPR) variable has at count of 1.73605 which is greater than t table (1.66177), so that the dividend payout is able to mediate the effect of free cash flow on firm value. This shows that hypothesis 6 is accepted. Hypothesis Testing Results 7 (H_7) Based on the results of the t statistical test in Table 9, it is known that through the single test the dividend payout (DPR) variable has a t count of -1.59648 which is smaller than t table (1.66159), so that the dividend payout is unable to mediate the effect of leverage on firm value. This shows that hypothesis 7 is rejected.

DISCUSSION OF RESULTS

Effect of Free Cash Flow on Dividend Payout

Hypothesis 1 states that free cash flow has a positive effect on dividend payout. The t statistical test results show that the free cash flow variable has a regression coefficient value of 0.805 with a significance level of 0.016 which is smaller than the 0.05 significance so that hypothesis 1 is accepted. The results of the analysis show that free cash flow has a significant positive effect on the dividend payout, meaning that the free cash flow in the company tends to be used to pay dividends so that the welfare of shareholders increases. This is in line with previous research which found that free cash flow has a positive effect on dividend policy, which is proxied by the dividend payout ratio (Greory and Wang (2010), Sari and Budiasih (2016), Putri and Putra (2017), Andrini and Ardini (2018), Mancinelli and Ozkan (2006), Kouki and Guzani (2009), Rosdini, (2009), Thanatawee (2011), Lucyanda and Lilyana (2012), Arfan and Maywindlan (2013), Efni (2013). The higher the free cash flow available in the company, the higher the chance that dividends will be distributed to shareholders.The effect of free cash flow on dividend payout can be explained by agency theory that agency conflicts occur because of differences in interests between shareholders and management regarding the use of the company's excess free cash. Shareholders tend to ask management to use the excess free cash flow of the company to pay dividends to shareholders to improve shareholder welfare.

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Effect of Leverage on Dividend Payout

Hypothesis 2 states that leverage has a negative effect on dividend payout. The results of the t statistical test show that the leverage variable (DAR) has a regression coefficient value of -0.405 with a significance level of 0.036 which is smaller than the 0.05 significance so that hypothesis 2 is accepted. The results of the analysis show that leverage (DAR) has a negative effect on dividend payout, meaning that high use of debt will decrease the company's ability to pay its dividends, because most of the profits will be allocated to reserve funds for debt repayment. This is in line with previous research which found that leverage has a negative effect on dividend payout (Kherismawati, (2017), Sari and Sudjarni (2015), Mohamadi and Amiri (2016), Van and Nguyen (2014), Manneh and Nasser (2015), Jensen et al (1992), Budi (2009), Danang and Sunindyo (2010), Jannati (2010), Handoyo (2013), and Population (2013)). The effect of leverage on the dividend payout can be explained by agency theory that agency conflicts occur because of differences in interests between shareholders and management. This difference in interest requires management to make the right decisions to use the funds. In this case the management wants to use the funds to pay off debts while the shareholders want to use the funds to be distributed in dividends.

Effect of Dividend Payout on Firm Value

Hypothesis 3 states that dividend payout has a positive effect on firm value. The results of the t statistical test show that the dividend payout (DPR) variable has a regression coefficient value of 1.171 with a significance level of 0.009 which is smaller than the 0.05 significance so that hypothesis 3 is accepted. The results of the analysis show that the dividend payout has a positive effect on firm value, meaning that the information contained in the dividend payout policy can affect firm value. When a company decides to distribute dividends, this is a positive signal for investors or potential investors that the company is able to earn profits and improve shareholder welfare. Therefore, the higher the dividend paid, the public will respond positively to the company, so that the company value will increase. The results of this study are in line with previous research conducted by Fenandar (2012), Rizqia, Aisjah and Sumiati (2013), Febriana, Djumahir and Achmad Helmy Djawahir (2016), Sedana (2016), Senata (2016), and Esana and Darmawan (2017) found that the dividend policy, which is proxied by the dividend payout ratio, has a significant positive effect on firm value. The effect of dividend payout on firm value can be explained through signal theory, which is an action taken by the company to provide guidance to investors about how management views the company's prospects. This signal is in the form of information about what management has done to realize the owner's wishes. For this reason, the manager will provide signals to interested parties about the company's performance through an annual report. The signal referred to is an action or management decision, one of which is through dividends. If the company distributes dividends to shareholders, this signal is good news for investors. Meanwhile, if a company cuts or does not distribute dividends to shareholders, this signal is bad news for investors.

Effect of Free Cash Flow on Firm Value

Hypothesis 4 states that free cash flow has a positive effect on firm value. The results of the t statistical test show that the free cash flow variable has a regression coefficient of 3.989 with a significance level of 0.009 which is smaller than the 0.05 significance so that hypothesis 4 is accepted. The results of the analysis show that free cash flow has a significant positive effect on firm value, meaning that companies that have high free cash flow tend to be able to survive even in bad conditions, because they have sufficient internal sources of funds to meet the company's needs. This is also a signal to investors regarding the company's future prospects. The higher the free cash flow of the company, the higher the value of the company, because the company is able to prosper its shareholders by utilizing its free cash flow. The results of this study are in line with previous research conducted by Hermuningsih (2016), Al-Zararee and Al-Azzawi (2016), Ghodrati and Hashemi (2014), and Su Journalist and Yasa (2016) found that free cash flow has a positive effect on firm value. A positive relationship shows that companies that have high free cash flow reflect high

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company performance and value. The existence of free cash flow in the company reflects the amount of funds owned so that the company's value will be high in the eyes of the public. The relationship of free cash flow to firm value can be explained by signal theory, namely that the presence of free cash flow in the company is a positive signal that can be conveyed to investors about the company's future prospects that illustrate the ability of cash creation in the future. The high performance of the company will increase the value of the company which is manifested in the form of high returns through dividends, stock prices, or retained earnings to be invested in the future.

The Effect of Leverage on Firm Value

Hypothesis 5 states that leverage has no effect on firm value. The results of the t statistical test show that the leverage variable (DAR) has a regression coefficient value of -0.508 with a significance level of 0.558 which is greater than the 0.05 significance so that hypothesis 5 is rejected. The results of the analysis show that leverage has no effect on firm value, meaning that if the company adds or reduces its funding sources, it will not affect the overall firm value. Investors do not really pay attention to the size of the debt owed by the company, because investors are more concerned with how the company's management uses these funds effectively and efficiently to achieve added value for company value. The results of the above research do not support the results of previous studies conducted by Anton (2016), Prastuti and Gede (2016), Angga and Wiksuana (2016), Nelwan and Joy (2018), Tunggal and Ngatno (2018), Anggraeni (2018), Pantow et al (2015) and Limbong and Mochammad (2016) who say that leverage has a positive effect on firm value. However, the findings in this study are consistent with research conducted by Pakpahan (2015), Zulfia (2016) who found that there is no significant relationship between leverage and firm value.

The Effect of Free Cash Flow on Firm Value through Dividend Payout

Hypothesis 6 states that the dividend payout (DPR) is able to mediate the effect of free cash flow on firm value. The sobel test results show that the t count is 1.73605 which is greater than the t table (1.66177), so that the dividend payout is able to mediate the effect of free cash flow on firm value. This shows that hypothesis 6 is accepted. The ability of dividend payout to mediate the effect of free cash flow on firm value means that the higher the free cash flow of the company, the higher the opportunity for dividend distribution. The high amount of dividends paid will increase the welfare of shareholders so that the share price, which is a reflection of the company's value, also increases. Signal theory describes an action that a company takes to provide guidance to investors about how management views the company's prospects. Free cash flow in the company is a positive signal that can be conveyed to investors about the company's future prospects that illustrate the ability of cash creation in the future. The signal referred to is an action or management decision, one of which is through dividends. If the company distributes dividends to shareholders, this signal is good news for investors. Meanwhile, if a company cuts or does not distribute dividends to shareholders, this signal is bad news for investors. The high performance of the company will increase the company value which is manifested in the form of high returns through dividends.

Effect of Leverage on Firm Value through Dividend Pay-out

Hypothesis 7 states that the dividend pay-out (DPR) is unable to mediate the effect of leverage on firm value. The sobel test results show the amount of t count of -1.59648 which is smaller than t table (1.66159), so that the dividend pay-out is unable to mediate the effect of leverage on firm value. This shows that hypothesis 7 is rejected. The inability of dividend pay-out to mediate the effect of leverage on firm value means that high use of debt will decrease the company's ability to pay dividends, because most of the profits will be allocated to reserve funds for debt repayment. Companies that have a low level of debt will prioritize the welfare of their shareholders by distributing dividends, on the other hand, if the company has a large level of debt, the company will concentrate more on paying off its debt than distributing dividends in order to prevent the risk of bankruptcy. Agency theory explains that

agency conflicts occur because of differences in interests between shareholders and management. This difference in interest requires management to make the right decisions to use the funds. In this case the management wants to use the funds to pay off debts while the shareholders want to use the funds to be distributed in dividends.

CONCLUSION

This study aims to obtain empirical evidence regarding the effect of free cash flow and leverage on firm value with dividend payout as a mediator for companies listed on the Consumer Goods Industry on the Indonesia Stock Exchange in 2015-2019. Based on the research findings and hypothesis testing that has been done, it can be concluded that: Free cash flow has a positive effect on the dividend payout, so that H1 is accepted, Leverage has a negative effect on the dividend payout, so that H2 is accepted, Dividend payout has a positive effect on firm value, so that H3 is accepted, free cash flow has a positive effect on firm value, so H4 is accepted, Leverage has no effect on firm value, so H5 is rejected, Dividend payout is able to mediate the effect of free cash flow on firm value, so that H6 is accepted, Dividend payout is unable to mediate the effect of leverage on firm value, so H7 is rejected.

Based on the research results and conclusions above, the advice that can be given is that investors who want to invest in a company can carry out an analysis of the company's fundamentals, so that information can be used as material for consideration in making investment decisions. In line with the inability of the dividend payout to mediate the effect of leverage on firm value, it is hoped that the company's management will consider the decisions taken to suit the company's financial condition and the opportunities that exist, so that the optimization of firm value for the long term can be achieved. In line with the inability of dividend payout to mediate the effect of leverage on firm value, it is hoped that further research can try to consider other variables.

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