

## Analysis of Effect of Dividend Policy, Policies Debt, Profitability and Investment Decision in the Value of The Company

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**Abstract:** The purpose of this study was to determine the effect of dividend policy, debt policy, profitability, and investment decisions in part on the value of the company. The data used secondary data, with a population of basic chemical industry research company went public listed on the Indonesia Stock Exchange 2012-2016 period. The sampling technique is purposive sampling of 65 companies acquired 12 companies basic chemical industry for five years. Results from this study that dividend policy (payout ratio) does not affect the value of the company (price to book value). Debt policy (debt to equity ratio) has no effect on the value of the company (price to book value). Profitability (return on equity) effect on firm value (price to book value). Investment decisions (price earnings ratio) effect on firm value (price to book value) Adjusted R<sup>2</sup> of 0.399, which means that the value of the company was affected by the dividend policy, debt policy, profitability, and investment decisions. While the remaining 60.1% (0.601) is influenced by other factors outside the research.

**Keywords:** dividend policy, debt policy, Profitability, Investment Decision, Company Value

### 1. INTRODUCTION

In this era of growing, all companies are required to go public and ready judged by the public openly. Companies that go public raced to increase the value of the company so that investors are visible and planting stock in the company. The value of the company is a stock price that has been circulating in the market share to be paid by the investor to be able to have a firm, Suharli(2006), Indicators that affect the value of the company which includes dividend policy, debt policy, profitability, and investment decisions.

Dividend policy is the decision to determine how large a part of the company's revenue will be distributed to the shareholders and will be reinvested or detained in the company, Ambarwati (2010), Companies are judged at risk of having the majority of the debt, but if the

debt then the debt yield advantage can increase the value of the company, Hidayat(2013), Profitability is the company's ability to earn income in a particular period. Fund investment decisions is a good allocation decisions come from within the company and outside the company, be it short-term investments and long-term Ning et al(2012), Research Dhani et al(2017), Concluded that the growth of the company and its capital structure does not affect the value of the company, while the effect on the profitability of the company's value. Sofia et al(2017), Indicates that the dividend policy and debt policy has no effect on the value of the company, while the investment decisions affecting the value of the company. Wulandari et al(2016)concluded that the profitability and dividend policy and a significant positive effect on firm value. Instead of

capital structure does not affect the value of the company. Yuniarti et al(2016), Stating that the dividend policy, debt policy, profitability, and institutional ownership affects the value of the company. Mardiastanto(2016), Stated that profitability, funding decisions affect the value of the company. While the dividend policy,

Based on the description and previous research can be seen that the results obtained are still not consistently associated with factors that affect the value of the company. Based on this background, the course of studies on the effect on the value of the company, the problem is limited analysis of the effect of policy, debt policy, profitability, and investment decisions on the value of the company.

## 2. RESEARCH METHODOLOGY

### 2.1 Variables and Measurement

#### a. The value of the company

The company's value is measured by the ratio of price to book value (PBV) with the following formula:

$$\text{The book value per share} = \frac{\text{Total equity}}{\text{total amount of debt}}$$

$\text{Price to Book Value} = \frac{\text{Market price of shares}}{\text{The book value per share}}$

#### b. Dividend Policy

Dividend policy is measured by the dividend payout ratio (DPR), the formula: Dividend Payout Ratio = Dividend per share

$$\frac{\text{Dividend per share}}{\text{Earnings per share stock}}$$

#### c. Debt policy

Debt policy is measured by debt to equity ratio (DER), the formula: Debt to Equity Ratio =

$$\frac{\text{total debt}}{\text{total equity}}$$

Total Amount of debt

#### d. profitability

Profitability measured by return on equity (ROE), the formula:

$$\text{Return On Equity} = \frac{\text{net profit after tax}}{\text{Owner's equity}}$$

#### e. Investation decision

The investment decision is measured by the price earnings ratio (PER), the formula:

$$\text{Price Earning Ratio} = \frac{\text{Stock price}}{\text{Earnings per share}}$$

## 2.2 Types of Research and Samples

The type of data in this study using quantitative secondary data obtained from the financial statements of the data base and chemical industry companies listed in Indonesia Stock Exchange during the period 2012-2016 was obtained from [www.idx](http://www.idx), Samples were selected by purposive sampling method gained 60 basic and industrial chemical companies over five periods in accordance with the criteria used in this study.

## 3. RESEARCH RESULT

### a. Statistical Analysis Diskriptif

Table 2. Statistics Diskriptif

	Min.	Max.	mean	Std. deviation
PBV	0.09	7,84	2.0240	1.97232
DPR	-0.72	50	1.1773	6.41810
DER	0.13	2.46	.7200	0.59083
ROE	-1.34	32.79	13.9608	9.09051
PER	1.56	62.11	17.9932	11.95152

According to the table above can be explained that the dependent variable enterprise

value (PBV) indicates a value ranging from 0.09 up to 7.84 and the average standard deviation of 2.0240 and 1.97232. The independent variable dividend policy (DPR) showed values ranging from -0.72 to 50 and the average standard deviation of 1.1773 and 6.41810. The independent variable debt policy (DER) showed values ranging from 0.13 to 2.46 and the average standard deviation of 0.7200 and 0.59083. The independent variable of profitability (ROE) showed values ranging from -1.34 to 32.79 and the average and standard deviation of 9.095051 13.9608. Independent investment decision variables (PER) which showed values ranging from 1.56 to 62.11 and the standard deviation of the average and standard deviation 17.9932 11.95152.

**b. classic assumption test**

classical assumption test done so that the model regression model on the significance of research and representative. From the analysis of the regression model meets all the classical assumptions.

**3.1 Multiple Linear Regression Analysis Method**

This test is used to test the effect of independent variables together (simultaneously) on the dependent variable. multiple linear regression equation as follows:

$$PBV = -0,768-0,055DPR-0,117DER + 0,137 + 0,049PER$$

Table 3. Linear Regression Analysis

	Model		
	B	t	Sig.
DPR	0.055	0.234	0,816
DER	-0.117	-, 419	.677
ROE	0,137	5.785	0,000
PER	0,049	2,106	0,040
F	10,640		
adjusted R2	0.399		
Asym. Sig	0.359		

Decision dependent variable dividend policy, debt policy, profitability and investments that meet the significance only of profitability and investment decisions. Based on Table 3, it can be seen that the significance level of 0.816. The significance level .677 debt policy. The significance level of profitability amounted to 0,000 and 0,040 investment decisions. Results were adjusted R2 value of 0.399. This suggests that the variation of the independent variables are jointly able to explain the variation in the dependent variable 39.9%, while the remaining 60.1% is explained by other variables other than the independent variables.

- 1) Effect of dividend policy on firm value.

Based on the partial test, showed that the first hypothesis is rejected dividend policy means no significant effect on the value of the company. These results are consistent with the theory of dividends is not relevant Miller and Modigliani (MM) said that states that the value of the company is not affected by the dividend policy but only determined by the asset earnings capacity and risk, if the dividend affect the value of the company was merely a form of information in the form of profit expectations for management signal, Brigham et al(1999), However, this contradicts the research study Yunianti et al(2016),

- 2) Influence the policy of debt to enterprise value.

Based on the partial test showed that the second hypothesis is rejected it means the debt policy has no significant effect on firm value. These results are consistent with the theory Modigliani approach and Miller stated that the debt can save on taxes paid on the debt raises interest payments that reduce the amount of taxable income the value of the company increases. But this theory not consider the cost will owe so would lead to bankruptcy Brigham et al(2011), However, this research is contrary to penelitian Hidayat(2013) and Yuniarti et al (2016) stating that the debt policy affects the value of debt means companies can reduce konflik institutions and increase shareholder value.

- 3) Profitabilitas influence on the value of the company

Based on the partial results of testing the third hypothesis is accepted means that the profitability of an effect on the value of the company. These results are consistent with Abdillah(2014) and Yuniarti et al (2016) which states that affect the profitability of the company's value, which means higher profits will provide a good indication of the company's prospects for prompting investors to increase demand for the stock.

- 4) Influence investment decisions on the value of the company

Based on the partial testing the fourth hypothesis is accepted it means that investment decisions significantly affect the value of the company. This study is in line with research Sofia et al(2017) and Yuniarti et al (2016), High investment in the company was

affected by several factors: predictions about the future, interest rates, teknologi development, the level of national income and the expected profit, Sukirno (1981)

#### 4. CONCLUSION

The purpose of this study was to examine the effect of dividend policy, debt policy, profitability, and investment decisions on the value of the company. This type of research is quantitative. The technique used in this study using purposive sampling obtained a sample of 60 companies listed on the Indonesia Stock Exchange period 2012 to 2016 of the basic chemical industry company.

Based on test results concluded that the dividend policy is proxied by the dividend payout ratio and debt policies proxied by debt to equity ratio does not affect the value of the company which is proxied by the price to book value, while profitability is proxied by return on equity and investment decisions are proxied by price earning ratio effect on the value of a company that is proxied by the price to book value. Adjusted R<sup>2</sup> value of 0.399, which means the value of the company was affected by the variable dividend policy (payout ratio), the debt policy (debt to equity ratio), profitability (return on equity) and investment decisions (price earnings ratio) of 39.9% and the rest 60.1% influenced by other variables outside the model.

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