THE EFFECT OF PROFITABILITY, DIVIDEND POLICY, AND DEBT POLICY ON COMPANY VALUE (CASE STUDY ON CONSUMER GOODS INDUSTRY SECTOR COMPANIES ON IDX 2018-2020)

Eni Arno Wati[1], Alifatul Mahmudah[2], Diah Ayu Novitasari[3]

Accounting Study Program Faculty of Economics, Lamongan Islamic University
Jl. Veteran 53A Lamongan Jawa Timur
eniarnowati123@gmail.com

ABSTRACT

This study aims to determine the effect of profitability, dividend policy and debt policy on firm value. This research was conducted with quantitative research methods with the type of approach used is an associative approach. The data used is secondary data in the form of financial reports from IDX publications. Methods of data collection using documentation and literature study. Samples were taken using the purpose sampling method. The population in this study are all manufacturing companies that are still listed on the IDX in 2018-2020. From a population of 72 manufacturing companies, 24 manufacturing companies were obtained as samples with a 3 year period (2018-2020). The data were analyzed using multiple regression analysis with the help of SPSS version 26 program. The results of this study indicate that profitability has a significant positive effect on firm value, while dividend and debt policies have no effect on firm value. The implication of this research is that investors in investing should be more careful in paying attention to the company's performance.

Keywords: *Dividend Policy, Debt Policy, Profitability and Firm Value*

INTRODUCTION

The increasing economy of a country is indicated by the increasing volume of companies competing with each other to show the quality and identity of the company. The capital market is a market for various long-term financial instruments that are usually traded in the form of debt or equity (Darmadji, 2016: 2).

Referring to the data from the statistical agency in the official statistical news contained on the website of the statistical agency in 2021 during the second quarter, it was stated that the growth of the national Gross Domestic Product (GDP) was 17.34%. The top five contributors to GDP in this period were the food and beverage industry at 6.66%, the chemical, pharmaceutical and traditional medicine industries at 1.96%, the metal goods industry, computers, electronic goods, optics and electrical equipment at 1.57%, transportation equipment industry by 1.46%, and textile and apparel industry by 1.05%. This shows that the manufacturing industry has an important role for national economic growth even though it is under pressure due to the COVID-19 pandemic (Source Kemenperin.go.id).

The existence of the capital market in Indonesia is very much needed by companies because by issuing shares on the stock exchange, it can make investors interested in investing and can generate funds for companies that are used for company operational activities while at the same time increasing company value (Sudiani & Darmayanti, 2016).

Firm value is the investor's perception of the company's level of success which is often associated with stock prices. High stock prices make the value of the company also high and increase market confidence not only in the company's current performance but also on the company's prospects in the future. Firm value is influenced by several factors that are related to firm value, namely managerial ownership, public ownership, independence of the board of commissioners, board diversity, profitability, dividend policy, debt policy,

company size, company age, going concern, and capital structure (Mubaroq, 2020). However, in this study, the researcher only examined the profitability, dividend policy and debt policy factors.

The first factor is that profitability is considered capable of influencing the value of the company because the higher the company's profit, the value of the company will increase. Profitability is a ratio or comparison to determine the company's ability to earn profit/profit from revenue/earnings related to sales, assets, and equity based on certain measurement bases. So that profitability can affect the perception of shareholders of the company regarding aspects of the company in the future. Profitability itself is measured by the ratio of return on equity (ROE) which is the ratio of net income to the equity of ordinary shares, which measures the rate of return on investment from common shareholders.

The second factor is the dividend policy which measures the Dividend Payout Ratio (DPR). According to Abdillah (2016), dividend policy is a policy regarding decisions taken by the company regarding the profits earned whether distributed to shareholders as dividends or held in the form of retained earnings to finance the company's investments in the future. The amount of dividends distributed by the company can affect stock prices because investors prefer those from dividends compared to profits in the form of money.

The third factor that affects the value of the company is debt policy, debt is the company's external financial source to carry out its operational activities. The use of debt for the company has an impact that is sensitive to the high and low value of the company where the higher the proportion of debt set by the company at a certain level, the higher the value of the company, if the debt level exceeds the proportion of debt set by the company then what happens is a decrease in the value of the company because the benefits obtained from the use of debt is relatively smaller than the costs it incurs. Debt policy can be measured by the Debtto Equity Ratio (DER) (Abdillah, 2016).

Based on the above background, the title in this study is "The Effect of Profitability, Dividend Policy, and Debt Policy on Firm Value (Case Study on Consumer Goods Industrial Sector Companies on the IDX in 2018-2020)".

THEORETICAL BASIS

1. Signal Theory (Signalling Theory)

Signaling theory (signalling theory) explains that the sending party (the owner of the information) gives a signal or signal in the form of information that reflects the condition of a company that is beneficial to the recipient (investor). According to Brigham and Houstan (2018), signal theory provides an illustration that a signal or signal is an action taken by management looking at the company's prospects. This theory reveals that investors can distinguish between companies that have high values and companies that have low values.

2. The Value Of The Company

Firm value is the investor's perception of the company's level of success which is often associated with stock prices. High stock prices make the value of the company also high and increase market confidence not only in the company's current performance but also on the company's prospects in the future.

The value of the company in this study is measured by using the ratio of price book value (PBV) which is a comparison between the stock price and the book value of the company. Where the book value of the company (book value share) is a comparison between the equity of ordinary shares and the number of shares outstanding (Brigham & Houston, 2018).

3. Profitability

Profitability is one of the financial ratios used to assess a company. To find out how well the company's success in generating profits is needed a measure. The

measure used is profitability. Profitability, can measure how much the company's ability to earn a profit in relation to sales, assets and profits for own capital.

Profitability is proxied by return on equity (ROE) which is a financial ratio that shows the company's ability to generate after-tax profits by using the company's own capital (Sudana, 2016:23).

4. Dividend Policy

Dividend policy is a decision taken by the company to determine how much part of the net income obtained to be distributed as dividends or as retained earnings.

According to Abdillah (2016), if the company increases dividend payments, it can be interpreted by investors as a signal of management's expectations about improving company performance in the future so that dividend policy has an influence on firm value.

Part of the dividend policy chosen in this study is the dividend payout ratio (DPR), on the grounds that the DPR can better explain managerial opportunistic behavior by looking at how much profit is distributed to shareholders as dividends and how much is kept by the company.

5. Debt Policy

Debt policy is the company's policy on how far the company uses debt as a source of funding. The use of debt policies can be used to create the desired firm value. The use of debt must still be managed properly because it is a sensitive matter for the company to the high and low value of the company. The higher the proportion of debt set by the company at a certain level, the higher the value of the company, but if the level of debt exceeds the proportion of debt set by the company, what happens is a decrease in the value of the company (Pertiwi et al, 2016).

Debt policy is a policy taken by the company to finance through debt. “The proxy for debt policy in this study is the debt to equity ratio (DER). The purpose of this ratio is to measure the company's ability to pay its debts with existing capital or equity.

HYPOTHESIS

1. The effect of profitability, dividend policy and debt policy on firm value

Good profitability can pay dividends to shares, dividend policy will have an influence on the level of use of a company's debt because of the necessity for companies to provide a number of funds for investors. Companies that have profits will consider whether the profits earned will be given all or part of it is retained. This will have implications for the ups and downs of the company's stock price in the capital market and the value of the company in the eyes of the public. This is in accordance with the research of Apriliyanti et al (2019), Maulidina et al (2018), Wiweko (2018) which states that profitability, dividend policy and debt policy have a positive effect on firm value. Based on the description above, the following hypothesis can be drawn:

H_1: Profitability, dividend policy and debt policy have a positive effect on firm value.

2. Effect of profitability with firm value

Profitability is the company's ability to generate profit which is the net result of good management policies and decisions in managing the company's liquidity, assets and debt (Sari, 2013:3). The high and low stock prices formed affect the value of the company. The higher the stock price of a company, the higher the value of a company. Based on this statement, it can be said that profitability has a positive positive effect on firm value. This is in accordance with research conducted by Wedyanti et al (2021), Astika (2019), Apriliyanti et al (2019), Dewi et al (2020), Sumanti (2015) which states that profitability has a positive effect on firm value. Based on this description, the following hypothesis can be drawn:

H_2: Profitability has a positive effect on firm value.

3.The effect of dividend policy on firm value

Dividend policy determines how much profit will be obtained by shareholders. The profits that will be obtained by these shareholders will determine the welfare of the shareholders which is the main goal of the company. Companies that increase dividend payments can be interpreted by investors as a signal of management's expectations about improving company performance in the future, so that dividend policy has an influence on firm value. This is in accordance with research conducted by Apriliyanti et al (2019), Wedyanti et al (2021), Sholihat et al (2021), Maulidina et al (2018) which states that dividend policy has a positive effect on firm value. Based on the description above, the following hypothesis can be formulated:

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

4.The effect of debt policy on firm value

According to Martikarini's research (2015), where high and low debt does not affect debt decisions, it can increase company value because the composition of debt is a signal for investors if the company dares to take risks by increasing debt, this indicates that the company has good productivity and the company needs deeper funds. expand its business. This is in accordance with the research of Apriliyanti et al (2019), Maulidina et al (2018), Wiweko (2018) which states that debt policy has a positive effect on firm value. Based on the description above, the following hypothesis can be drawn:

H_4: Debt policy has a positive effect on firm value.

METHOD

This research method uses quantitative with associative approach. The data used is secondary data in the form of financial reports from IDX publications. Methods of data collection using documentation and literature study. Samples were taken using the purpose sampling method. The population in this study are all manufacturing companies that are still listed on the IDX in 2018-2020. From a population of 72 manufacturing companies, 24 manufacturing companies were obtained as samples with a 3 year period (2018-2020). The data were analyzed using multiple regression analysis with the help of the SPSS version 26 program.

Firm Value (Y)

Firm value is measured by market ratios, namely the following price book value (PBV):

$$PBV = \frac{Share\ Price\ Per\ Share}{Book\ Value\ Per\ Share}$$

The price book value (PBV) ratio is the ratio between the stock price and the company's book value. Where the book value of the company (book value share) is a comparison between the equity of ordinary shares and the number of shares outstanding (Brigham & Houston, 2018).

Profitability (X1)

Profitability is measured using Return On Equity (ROE) using the following formula:

$$ROE = \frac{Earning\ After\ Taxes}{Total\ Equity}$$

Return On Equity (ROE) is a financial ratio that shows the company's ability to generate after-tax profits by using the company's own capital (Sudana, 2016:23).

Dividend Policy (X2)

Dividend policy is measured using the dividend payout ratio (DPR) as follows:

$$DPR = \frac{Devidend\ Per\ Share}{Earning\ Per\ Share}$$

Dividend Payout Ratio (DPR) shows the ratio of dividends distributed by the company to the net income generated by the company.

Debt Policy (X3)

Debt policy is measured using the Debt Equity Ratio (DER) as follows:

$$DER = \frac{Total\ Amoun\ Of\ Debt}{Total\ Equity}$$

The purpose of this ratio is to measure the company's ability to pay its debts.

RESULTS AND DISCUSSION

1. Classic Assumption Test

Classical assumption test was conducted to obtain valid regression analysis results. include: normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test.

A. Normality test

Normality test is used to determine whether in the regression model, the independent and dependent variables have a normal distribution or not. This test using the Kolmogorov-Smirnov test can be said to be normal if the significant value is greater than 0.05.

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		72
Normal Parameters[a,b]	Mean	0.0000000
	Std. Deviation	1.82158628
Most Extreme Differences	Absolute	0.133
	Positive	0.133
	Negative	-0.109
Test Statistic		0.133
Asymp. Sig. (2-tailed)		0.315[c]
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

Based on the table above, it can be seen that the sig value is 0.315, which means that the value is greater than 0.05, which means that the normality test value using the Kolmogorov-Smirnov method is normally distributed.

B. Multicollinearity Test

The multicollinearity test is used to determine where there is a correlation between the independent variables as follows:

Model	Tolerance	VIF
ROE	O.982	1.018
DPR	0.950	1.052
DER	0.935	1.070

Can be described as follows:

1. The tolerance value of the Return On Equity (ROE) variable is 0.982, which is greater than 0.10 and the VIP value is 1.018, which is smaller than 10.00, so that the variable does not occur multicollinearity between X1 in this regression model.
2. The tolerance value for the Dividend Payout Ratio (DPR) variable is 0.950, which is greater than 0.10 and the VIP value is 1.052, which is smaller than 10.00. so that the variable does not occur multicollinearity between X2 in this regression model.
3. The tolerance value for the Debt To Equity (DPR) variable is 0.935, which is greater than 0.10 and the VIP value is 1.070, which is smaller than 10.00. so that the variable does not occur multicollinearity between X2 in this regression model.

C. Autocorrelation Test

The autocorrelation test aims to test the linear regression model there is a correlation between the confounding error in period t and the confounding error t-1 (previous). To determine the presence or absence of autocorrelation, the Durbin Watson test (DW-test) was used.

Model	Durbin Watson Value	Description
1	1.743	No Autocorrelation

The results of the autocorrelation calculation obtained the Durbin Watson value of 1.743. The DW value of 1,743 is between the dU and 4-dU values. Where dL (lower limit value) and dU (upper limit value) seen from the Dustin Watson table 5%, n = number of samples, k = number of independent variables. then it can be seen that the value of dU = 1.7054, the value of dL = 1.5323, n = 72, k = 3. So it can be concluded that the regression model stated that there is no autocorrelation, because the DW value is between dU and 4-dU.

D. Heteroscedasticity Test

Heteroscedasticity test aims to test in

the regression model there is an inequality of variance from the residual of one observation to another observation. Researchers used the glejser test as a tool to test the presence or absence of heteroscedasticity.

Model	Sig
ROE	0.160
DPR	0.563
DER	0.335

The sig value for the Return On Equity (ROE) variable is 0.160, the sig value for the Dividend Payout Ratio (DPR) variable is 0.563, and the sig value for the Debt To Equity (DER) variable is 0.335. Because the sig value of the variable above is more than 0.05, then according to the basis of decision making in the Glejser test, it can be concluded that this study is free from heteroscedasticity symptoms.

2. Multiple Regression Analysis Results

The method used to test the effect of several independent variables on one dependent variable.

Model	B
Constannt	1.973
ROE	4.535
DPR	0.155
DER	-0.133

It is known that the results of multiple linear regression analysis are:

$$\mathbf{Y = a + Q_1 X_1 + Q_2 X_2 + Q_3 X_3 + e}$$
$$= 1.973 + 4.535\ X_1 + 0{,}155\ X_2 - 0{,}133\ X_3 + e$$

From the regression equation above, it can be explained that:

1. The constant () is 1,973. This means that if the ROE, DPR, and DER are 0, it is predicted that the resulting profit change will be 1,973.
2. The coefficient of Return On Equity (X1) is 4,535. This means that it shows a direction that is positively related (unidirectional) to the dependent variable, which means that if the ROE increases by one unit, the change in profit will increase by 4,535.
3. The coefficient of Dividend Payout Ratio (X2) is 0.155. This means that it shows a direction that is positively related (unidirectional) to the dependent variable, which means that if the DPR increases by one unit, the change in profit will increase by 0.155.
4. The coefficient of Debt To Equity (X3) is -0.133. This means that it shows a direction that is negatively related (opposite direction) to the dependent variable, which means that if the DER increases by one unit, the change in profit will decrease by -0.133.

3. 3F Test (Simultaneous Test)

The f test is used to test whether or not the effect of the independent variables is significant, namely profitability, dividend policy and debt policy simultaneously on the dependent variable, namely firm value.

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.307	3	5.436	1.569	0.205[b]
	Residual	235.591	68	3.465		
	Total	251.897	71			

It shows that the Fcount value is 1.569 and the sig level is 0.205. df 1 = and df 2 can be determined by the formula df 1 = number of variables -1 which is 3 – 1 = 2, and df 2 = n – k that is 72 – 2 - 1 = 69, then the Ftable value of 3.13 and sig level can be obtained which is greater than 0.05 which means H0 is rejected. So it can be said that the variables of profitability, dividend policy and debt policy simultaneously have no effect on the value of companies listed on the IDX for the period 2018-2020.

4. Partial Test (T Test)

The t test aims to partially test the regression coefficient of each independent variable with the dependent variable.

Model	t	Sig
ROE	2.059	0.043
DPR	0.201	0.842
DER	-0.415	0.680

Based on the tests that have been carried out in the table above, it can be seen that the results of the t test are as follows:

1. Based on the results of data processing the table above shows that the Return On

Equity (ROE) variable has a significance value of 0.043 and tcount is 2,059 and ttable is 1,66757. based on these results, the value of sig > (0.05) is 0.043 0.05 and tcount ttable is 2,059 1,66757 it can be concluded that H1 is accepted, meaning that profitability (ROE) has a significant effect on firm value (PBV).

2. Based on the results of data processing the table above shows that the Dividend Payout Ratio (DPR) variable has a significance value of 0.842 and tcount is 0.201 and table is 1.66757. based on these results, the value of sig > (0.05) is 0.842 > 0.05 and -ttable tcount ttable is -1.66757 0.201 1.66757 it can be concluded that H2 is rejected, meaning that dividend policy (DPR) has no effect on firm value (PBV).
3. Based on the results of data processing the table above shows that the Debt To Ratio (DER) variable has a significance value of 0.680 and tcount is -0.415 and ttable is 1.66757. based on these results, the value of sig > (0.05) is 0.68 > 0.05 and -ttable tcount ttable is -1.66757 -0.415 1.66757 it can be concluded that H3 is rejected, meaning that debt policy (DER) has no effect on firm value (PBV).

CONCLUSION

Based on the description above, conclusions can be drawn as follows:

1. Profitability, dividend policy and debt policy simultaneously have no effect on the value of companies listed on the IDX for the 2018-2020 period.
2. Profitability has a significant effect on the value of companies listed on the IDX for the 2018-2020 period.
3. The dividend policy has no effect on the value of companies listed on the IDX for the 2018-2020 period.
4. The debt policy has no effect on the value of companies listed on the IDX for the 2018-2020 period.

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