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INFLUENCE OF DIVIDEND POLICY AND CAPITAL STRUCTURE ON FIRM VALUE

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ABSTRACT

The purpose of this research is to know the influence between dividend policy and capital structure on company value at the manufacturing company listed in BEI period 2016. The method in this research is a quantitative method with descriptive statistical analysis. The data analysis tool used is multiple linear regression. Sampling technique in this study using simple random sampling. The affordable population in this study were all manufacturing companies listed on the Indonesia Stock Exchange and the sample used on Isaac Michael's table was 44 companies. Test requirements analysis is done by looking for regression equation that yield $Y = 1{,}367 + 0{,}163X_1 + 12{,}236X_2$. The results of the analysis show: (i) there is a significant positive influence between dividend policy and firm value, (ii) there is a significant positive influence between capital structure and firm value, (iii) there is significant relation between dividend policy and capital structure to firm value. Based on the results of the analysis, the dividend policy and capital structure can be a measure of corporate value. The implication of this research explains that dividend policy and capital structure can be used as the basis of the investor's consideration before investing in a company.

Keywords:
Dividend Policy, Capital Structure, Corporate Value

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INTRODUCTION

In Indonesia, especially in the business world, there are now a lot of companies popping up in various fields. In addition to increasing the economic stretch in Indonesia, this condition provides convenience for the community where there are already many goods and services offered by companies to fulfill their daily needs.

The public does not need to worry about looking for their needs because everything is available and easy to find. The diverse demands and demands of diverse communities have resulted in intense competition from companies seeking and occupying the market.

Tight business competition along with the development of the economy has resulted in demands for companies to continue to create innovations, improve performance, and expand the business to survive and compete.

The purpose of the company is managed is to get the maximum profit, so that the company clickers get a lot of income. The increasingly tight business competition encourages companies to increase performance which can be seen from the value of the company. To achieve company goals, every policy taken must be done carefully because it will affect the value of the company.

Company value is a certain condition that has been achieved by a company as a picture of public trust in the company after going through an activation process for several years, that is since the company was established until now. Company value is very important. That is because the high value of the company becomes the desire of the owners of the company because the high value of the company can show the level of prosperity of the shareholders. The high value of the company can make a special attraction for the company because it can bring investors to invest in the company.

To optimize the value of the company can be achieved by implementing financial management functions, where decisions taken will later affect other financial decisions and have an impact on the value of the company. Financial management involves resolving important decisions that will be taken by the company including investment decisions, funding decisions, and dividend policies.

In addition to carrying out financial management functions, managers must make appropriate funding sources, management must see the benefits and costs incurred, whether funding uses internal or external funding. One way for companies to get additional funds is by borrowing funds from outside parties.

Fulfillment of funds originating from external funds will determine the company's ability and also increase the company's financial risk. In certain compositions, debt will increase the productivity of the company so that it increases the company's ability to increase company profits. However, if the debt is too excessive, it will become a new problem for the company. Therefore companies must be able

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to take policies and balance the use of funding for companies whose sources of financing come from external (debt) or internal (profits obtained by the company).

LITERATURE REVIEW

Corporate Value

Company value is the price that the prospective buyer is willing to pay if the company is sold. For companies that issue shares in the capital market, the price of shares traded on the stock is an indicator of company value (Husnan, 2006: 6).

The creation of company value in the long term can be achieved through measurement of price to book value. According to Monks and Minow, PBV is proxied as a measure of firm value or financial performance. Companies classified as creating value are companies that have PBV greater than 1. The price to book value ratio (PBV) is a comparison between stock market prices and stock book value. The book value per share is obtained from the ratio of total shareholders' equity and the number of outstanding shares.

PBV can be calculated using the formula:

$$PBV = \frac{MPS}{BVS}$$

Keterangan:
PBV=Price to Book Value
MPS=Market Price Per Share
BVS=Book Value Per Share

Dividend Policy

Dividend policy is a company funding decision to determine how much part of the company's profits will be shared with shareholders and will be reinvested or held in the company (Hery, 2013: 14).

Dividends will be proxied by the ratio of dividend payout ratio because this ratio is used to calculate the number of returns to investors in the form of dividends.

DPR calculations can be calculated by:

$$= \frac{\text{Dividend per Sheet}}{\text{Net Income per Sheeet}} x\ 100\%$$

Capital Structure

Capital structure is an illustration of the form of the company's financial proportion, namely between the capital owned originating from long-term debt and own capital which is a source of financing for a company (Irham, 2011: 179).

The debt ratio can be used to find out what percentage of the assets of the financed company to find out what percentage of the company's assets are financed by using debt both current debt and long-term debt. Debt to equity ratio (debt to equity ratio) is a comparison between debt that is used to finance company assets with their total capital.

DER calculations can be calculated by:

$$= \frac{\text{Debt Total}}{\text{Equity Total}} x\ 100\%$$

METHODOLOGY

The study was conducted by taking financial report data at the Manufacturing companies listed on the Indonesia Stock Exchange. The research period is 2016 in the Indonesia Stock Exchange.

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This study uses a survey method with a quantitative approach. The survey method is used to obtain data from certain places taken from the population studied. The type of data used in this study is secondary data. Research data include published financial statements. The research data is taken from the database of the Indonesia Stock Exchange.

The population in this study were all manufacturing companies listed on the Indonesia Stock Exchange with a sample of 44 companies selected as sample members based on Isaac Michael's calculation with a 5% error rate.

FINDINGS AND DISCUSSION

Multiple Linear Regression

Table 1. Output Linear Regression

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,367	3,836		,356	,723
	DPR	,163	,068	,307	2,384	,022
	DER	12,236	3,495	,450	3,501	,001

Based on the table of results of multiple linear regression analysis which aims to determine the relationship of dividend policy (X1) and capital structure (X2) to corporate value (Y) using SPSS multiple regression equations can be obtained, namely $\hat{Y} = 1{,}367 + 0{,}163X_1 + 12{,}236X_2$.

Simultaneous Significance Test (F Test)

F test or regression coefficient test is used to determine the effect of independent variables on the dependent variable, whether there is a significant influence or not.

Table 2. Output Significance Test (F Test)

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3646,049	2	1823,025	10,215	,000[b]
	Residual	7317,438	41	178,474		
	Total	10963,487	43			

a. Dependent Variable: PBV

b. Predictors: (Constant), DER, DPR

Based on the table of simultaneous significance test results, it can be seen that $F_{\text{-count}} = 10.215 > F_{table}$ value = 3.23, it can be concluded that dividend policy and capital structure simultaneously influence the value of the company.

Partial Significance Test (t-test)

The partial significance test is done to find out whether the independent variable (X) has a significant or significant effect with the dependent variable (Y), the test is done using the t-test at the 0.05 significance level.

Table 3. Output Partial Significance Test (t Test)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,367	3,836		,356	,723
	DPR	,163	,068	,307	2,384	,022
	DER	12,236	3,495	,450	3,501	,001

a. Dependent Variable: PBV

In the statistically significant table of 0.05 with df = n-k-1 (n is the number of data and k is the number of independent variables) or 44-2-1 = 41, then the t-table is 2,019. The results of the partial significance test table above obtain a t-test from the dividend value of 2.384> t-table

= 2.019. So that it can be seen for the DPR variable, t count> t table, which is 2,384> 2,019, then Ho is rejected. So the conclusion is partial there is a significant influence between the DPR and PBV. Furthermore, for the DER variable t count> t table, which is 3.501> 2.019, then Ho is rejected. This means that there is a significant effect between DER and PBV.

Correlation Analysis Test

Simple Correlation Test

Table 4. Output Simple Correlation Test

Correlations

		DPR	DER	PBV
DPR	Pearson Correlation	1	,129	,365*
	Sig. (2-tailed)		,406	,015
	N	44	44	44
DER	Pearson Correlation	,129	1	,490**
	Sig. (2-tailed)	,406		,001
	N	44	44	44
PBV	Pearson Correlation	,365*	,490**	1
	Sig. (2-tailed)	,015	,001	
	N	44	44	44

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).

Based on the table above it is known that between the DPR and PBV has a significance value of 0.015. So that 0.015 <0.05, which means there is a significant correlation between the DPR and PBV. Furthermore, between DER and PBV has a significance value of 0.001. So that 0.001 <0.05 which means there is a significant correlation between DER and PBV.

Multiple Correlation Test

Tabel 5. Output Multiple Correlation Test

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,577a	,333	,300	13,35942

a. Predictors: (Constant), DER, DPR
b. Dependent Variable: PBV

Based on the table obtained an R-value of 0.577. The value of R is in the class 0.40-0.599. So that between the dividend policy and capital structure to the value of the company there is a moderate relationship.

Determination Coefficient Test

Table 6. Determination Coefficient Test

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,577a	,333	,300	13,35942

a. Predictors: (Constant), DER, DPR
b. Dependent Variable: PBV

Based on the results of the summary model table, the R square number is 0.333 or 33.3%. These results indicate that the percentage of independent variables (dividend policy and capital structure) to the dependent variable (firm value) is 33.3%.

Discussion

Based on the presentation of data from research results and their processing sourced from audited annual reports in manufacturing companies listed on the Indonesia Stock Exchange (IDX), this discussion will discuss the results of the research following the issues raised. In testing multiple regression that has been done, the results obtained simultaneously, it can be concluded that there is a simultaneous influence between dividend policy and capital structure on firm value. The level of influence of the independent variable (dividend policy and capital structure) on the value of the company is 33.3%.

Based on the partial test for dividend policy, the results show that the dividend policy variable that is proxied by the Dividend Payout Ratio (DPR) has a significant influence on Company Value. In this study, testing the statistical dividend policy provides a positive regression coefficient in the regression model. This shows that the greater the Dividend Payout Ratio (DPR), the greater the value of the company.

According to Brigham and Gapenski, (in Rodoni, 2010: 125) optimal dividend policy is a policy that creates a balance between current dividends and growth in the future, to maximize profits and influence company value.

Whereas according to Kasmir (2010: 9), shareholder welfare will automatically increase with increasing corporate value. This means that with the increase in the value of the company, it means that it will increase the value of its shares both in terms of price and the acquisition of dividends.

Ni Kadek Rai Prastuti and I Gede Merta Sudiartha (2016); Obaid Ur Rehman (2016); A A Ngurah Darma Adi Putra and Putu Vivi Lestari (2016); Normayanti (2017); Juli Harianto (2016), where the dividend policy variable which is proxied by the Dividend Payout Ratio (DPR) ratio significantly influences the value of the company.

Partial regression test results show that the capital structure has a positive and significant effect on the value of the company in manufacturing companies listed on the Indonesia Stock Exchange. this can be seen based on the value of the t_count capital structure variable greater than the t-table or 3.990> 2.019 then H0 is rejected so that there is a positive influence between the capital structure variable and the firm value. Besides the significant number of the test results is 0,000 <0,05 so that it shows a significant effect.

According to I Made Sudana (2015) optimal capital structure can be interpreted as a capital structure that can minimize the cost of using the entire capital so that it will maximize the value of the company.

Whereas according to James C. Van Horne and John M. Wachowicz, JR (2007) there is an optimal capital structure (optimal capital structure) and that management can increase the company's total value through careful use of financial leverage.

Tiewy Agistine Hidayat and Sugiyono (2017); Karina Meidiawati and Titik Mildawati (2016); Heven Manoppo and Fitty Valdi Arie (2016), where capital structure variables that are proxied by the Debt to Equity Ratio (DPR) ratio have a significant effect on firm value.

Based on the results of the calculations performed, the results show simultaneously or simultaneously the independent variables namely Dividend Policy and Capital Structure significantly influence the Firm Value. The magnitude of the influence of dividend policy and capital structure on the value of the company is 33.3%, while the rest is influenced by other factors.

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The results of this study are consistent with the research conducted by Ni Kadek Rai Prastuti and I Gede Merta Sudiartha (2016) and Obaid Ur Rehman (2016), where the dividend policy variable is proxied by the Dividend Payout Ratio (DPR) ratio and capital structure which is proxied by the ratio Debt to Equity Ratio (DER) has a significant effect on firm value which is proxied by Price to Book Value (PBV). The results of this study also support the theory put forward by Dewatripoint and Tirole.

According to Dewatripoint and Tirole (in Kashif Rashid, 2008: 26), "Operational structure of a firm is related to the size of a firm, factors of production (Capital and Labor Mix) and a weighted average cost of capital. Whereas, financial structure is related to executive remuneration, dividend policy, and debt-equity structure of a firm. The firm can effectively use operational and financial instruments to improve its value ".

The operational structure of a company is related to the size of the company, the factors of production (capital and mixtures of labor) and the weighted average cost of capital. The financial structure is related to executive remuneration, dividend policy, and corporate debt-equity structure. Companies can effectively use operational and financial instruments to increase their value. "

In this study, there are still many shortcomings and also some limitations. Limitations in this study include namely researchers who still use two independent variables, the sample used is still only in the manufacturing company sector, and the limitations of the research period are short.

The use of two independent variables is considered to be still less able to predict the value of the company because there are still many other factors that can affect the value of companies in manufacturing companies listed on the Indonesia Stock Exchange (IDX). Also, the sample used in this study is only in manufacturing companies and the determination of many criteria, so that samples obtained from many manufacturing companies are not used. In this study, the period used was only one period, namely the period of 2016, so that the results obtained were not maximal so that the results of the hypothesis were not desired.

CONCLUSIONS AND RECOMMENDATIONS

Based on the processing of statistical data, description, and analysis of data that has been described in the previous chapters, it can be concluded from this study:

1. There is a positive and significant influence between dividend policy on company value in manufacturing companies listed on the Indonesia Stock Exchange. This means that the greater the dividend policy is given, the greater the value of the company
2. There is a positive and significant influence between the capital structure on the value of the company in man-

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ufacturing companies listed on the Indonesia Stock Exchange. This means that if the capital structure is good, it can increase the value of the company

3. There is a positive and significant influence between dividend policy and capital structure on firm value in manufacturing companies listed on the Indonesia Stock Exchange. That is, if the big dividend policy and capital structure are good, then the value of the company will increase.

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