

PROFITABILITY LEVELS, INVESTMENT DECISIONS, AND DIVIDEND POLICIES ON COMPANY VALUE

Yulli Tri Astutik, Muhaimin Dimiyati, Ratna Wijayanti Daniar Paramita

STIE Widya Gama Lumajang

Email: yullitriastutik@gmail.com

Abstract

Globalization has an impact on the ease of investing. This was marked by economic growth in Indonesia. In this connection the manufacturing sector's growth was quite significant. It also can bring attraction for investors to invest. So that investors can get information for consideration for making investment decisions to match their expectations. This research was conducted with the aim to determine the effect, partially the variable Profitability Level, Investment Decision, Dividend Policy on Company Value in manufacturing companies listed on the Indonesia Stock Exchange in 2016-2018. This research uses a quantitative approach using secondary data. The research sample was 36 manufacturing companies and analyzed using SPSS. Hypothesis testing used is a partial statistical test (t test). The results showed that the variable level of profitability, investment decisions, and dividend policy significantly influence the value of the company .

Keyword : Level of Profitability, Investment Decisions, Dividend Policy, and Company Value

INTRODUCTION

In the current era of the 4.0 revolution, many companies have sprung up, making competition even tighter. This has prompted companies to carry out various innovations, business strategies, and also to increase competitiveness in both the domestic and international markets, especially companies that have gone public. One of the sectors that has experienced significant growth is the manufacturing sector. This growth in the manufacturing industry certainly attracts investors to invest their funds in Indonesia. Economic growth in Indonesia is characterized by a higher level of consumption and people's need for a product. Indonesia is a very potential market. However, before making a choice or making a decision on the chosen investment, of course an investor needs information to make certain considerations in order to obtain a return that is in line with expectations.

A company is founded with the aim of achieving maximum profit or maximum profit and optimizing company value. Firm value is the investor's perception of the company, which is often associated with stock prices. The value of the company, which is formed through the stock market indicator, is strongly influenced by investment opportunities. Investment spending provides a positive signal from investment to managers about the company's future growth, thereby increasing the stock price as an indicator of firm value. High stock prices make the company value also high (Sudana, 2009: 7). Firm value can be seen from the price to book value (PBV) which is the ratio between the share price and the book value per share (Ang, 1997).

Firm value can be determined from the profitability of the company. Profitability is the company's ability to generate profits in a certain period. Profitability is important in an effort to maintain the viability of the company in the long term, because profitability shows whether the company has good prospects in the future. The higher the level of profitability of a company, the more secure the company's survival is. Companies with a high level of profitability will be interested in their shares by investors, so that profitability can affect company value (Diah Puspita and Winarno, 2014). Return on equity (ROE) is a ratio that shows the company's ability to generate net income

for return on shareholder equity. ROE is a financial ratio used to measure the profitability of equity. The greater the ROE results, the better the company's performance.

Dividend policy is one of the most important decisions about the concern that companies face in dividend policy is how much income can be paid out as dividends and how much can be retained. In this study, dividend policy is measured by the dividend payout ratio (DPR). (Sri Ayem and Ragi Nugroho, 2016).

Another policy regarding company value is investment decisions. Carrying out investment activities is the most difficult decision for company management because it will affect the value of the company. The purpose of making an investment decision is to get a large return with manageable risks in the hope that it can optimize company value (Hari Purnama, 2016). Mistakes in forecasting will result in losses for the company. In this study, the proxy for investment policy is measured by Price Earning Ratio (PER).

METHOD

The type of data used in this research is quantitative data in the form of financial reports and annual reports published annually by the Indonesia Stock Exchange from the 2016-2018 period. Based on the source, the data used in this study are entirely secondary data, namely data that are not obtained directly from companies but obtained in the form of data that has been collected, processed and published by other parties, namely the Indonesia Stock Exchange in the form of data via the internet (www.idx.co.id) in this case financial data from the 2016-2018 period, company annual reports and internet media.

The consideration of companies in manufacturing companies listed on the Indonesia Stock Exchange is because if you use a manufacturing company that has been published, it has high liquidity, large market capacity, and is a stock that has high fundamentals and performance compared to other industries. The population in this study were food and beverage sector manufacturing companies listed on the Indonesia Stock Exchange for the period 2016 - 2018. The sampling technique used in this study was purposive sampling with a sample of 36 companies in this study. The data steps of this research consist of Classical Assumption Test, Multiple Linear Regression and Hypothesis Test.

RESULTS AND DISCUSSION

Normality test, from the PPlot it can be stated that the data that is spread around the line and follows the diagonal line means that all variables used in this study have random data that is normally distributed. For Multicollinearity Test, VIF and Tolerance values for each research variable are as follows: The Tolerance value for the variables ROE (0.995), PER (0.946), and DPR (0.946), stated that there was no multicollinearity symptom because the tolerance value was > 0.10. The VIF value for the variables ROE (1.005), PER (1.057), and DPR (1.057), it is stated that there is no multicollinearity symptom because the VIF value < 10. Heteroscedasticity test with a scatterplot can be stated that there are points that form a certain regular pattern (wavy, widened then narrowed) and spread around the number 0, then the conclusion is that in the regression model heteroscedasticity has occurred. Autocorrelation test can be stated that the DW value obtained is 1.145 for K-3 and 36 samples of data obtained dL 1.2953 and Du of 1.6539. So this regression model does not occur autocorrelation because there is no autocorrelation if the value $Du \leq DW \leq 4 - Du$ is $1.6539 \leq 1.745 \leq 2.3461$. This shows that the regression model does not have autocorrelation or is free from autocorrelation. The multiple regression equation is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e. \quad Y = 0.003 + 0.003 X_1 + 0.000 X_2 + 0.017 X_3 + e$$

Information:

- Y : The dependent variable (dependent) is firm value
- A : Constant
- B : Independent variable regression coefficient
- X1 : Return On Equity
- X2 : Price Earning Ratio
- X3 : Dividend Payout Ratio

This regression model produces an R value of 0.398 meaning that the dependent variable PBV can be explained by the independent variables ROE, PER, and DPR of 67.9% and the rest is explained by other variables outside the model in this study. The independent variable as a whole and the remaining 32.1% from other variables that are not explained and examined in this study. Based on the table above, the partial test shows that: 1) Return On Equity partially affects Price to book value. This can be seen from the significance value obtained of 0.003 which indicates that the value is less than the significant value limit (0.05). 2) Price Earning Ratio partially affects price to book value. This can be seen from the significant value obtained at 0.000, indicating that this value is smaller than the significant value limit (0.05). 3) The dividend payout ratio partially affects the price to book value. This can be seen from the significance value obtained at 0.017, which indicates that the value is smaller than the significant value limit (0.05).

The purpose of this study is to determine the level of profitability (ROE), investment decisions (PER), and Dividend Policy (DPR) on firm value (PBV) in food and beverage sector manufacturing companies listed on the Indonesia Stock Exchange. The test results show that the level of profitability (ROE), investment decisions (PER), dividend policy (DPR) have an effect on firm value. On further analysis, the results confirm that: The results of the hypothesis in this study indicate that the level of profitability (ROE) has an effect on firm value. The results of hypothesis testing show that the t value of 0.003 is smaller than the sig value of 0.05, the level of profitability as measured by dividing profit after tax by total equity. This value means that the level of profitability partially affects firm value. Thus hypothesis 1 (H₁) is accepted. The results of this study are in accordance with the results of research conducted by Putri Juwita Pertiwi, Parengkuan Tommy, and Johan R Tumuwa (2016) that partially the level of profitability has an effect on firm value.

The results of the hypothesis in this study indicate that investment decisions (PER) have an effect on firm value. The results of hypothesis testing show that the t value of 0,000 is smaller than the sig value. At 0.005, this is an investment decision as measured by dividing the share price by earnings per share. This value means that investment decisions partially affect firm value. Thus hypothesis 2 (H₂) is accepted. The results of this study are in accordance with the results of research conducted by Sri Ayem and Ragi Nugroho (2016), which states that investment decisions partially affect firm value.

The results of the hypothesis in this study indicate that the dividend policy (DPR) has an effect on firm value. The results of hypothesis testing show that the t value is 0.017 which is smaller than the sig value. As much as 0.005, this is a dividend policy as measured by dividing dividends per share by earning per share. This value means that the dividend policy partially affects the value of the company. Thus hypothesis 3 (H₃) is accepted. The results of this study are in accordance with the results of research conducted by Hari Purnama (2016) which states that partially the dividend policy has an effect on the value of the company.

CONCLUSION

This study aims to determine the effect of the level of profitability, investment decisions, and dividend policies on food and beverage sector manufacturing companies listed on the Indonesia Stock Exchange (IDX) for 3 periods, namely 2016-2018. In this study, there were 24 companies that became the population and a sample of 12 companies were used for testing. The conclusions that can be drawn in this study are as follows: Based on the results of partial hypothesis testing, the hypothesis (H₁) is accepted because partially the level of profitability has an effect on firm value. Because the results of the significance value of the profitability level are smaller than the results of the significance value which is the predetermined α value, based on the results of partial hypothesis testing, hypothesis (H₂) is accepted because partially investment decisions affect firm value. Because the results of the significance value of investment decisions are smaller than the results of the significance value which is the predetermined α value, and based on the results of partial hypothesis testing, the hypothesis (H₃) is accepted because partially the dividn policy affects firm value because the results of the significant value of the dividend policy variable is smaller than the results of the significance value which is the predetermined α value.

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