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THE EFFECT OF DIVIDEND POLICY AND DEBT ON COMPANY VALUE

(Empirical Study on Manufacturing Companies on the Indonesia Stock Exchange 2003 - 2016)

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ABSTRACT
In a business, a lack of capital is not impossible. To overcome this, the company will usually borrow capital from the bank. This is done to get additional capital. In addition, companies can also get additional capital from individual investors. This study uses a quantitative approach. The results of this study dividend policy influence on firm value Dividend policy and debt policy affect firm value in manufacturing companies on the Indonesia Stock Exchange in 2003-2016.

INTRODUCTION

In a business, lack of capital is not something that is impossible. To overcome this, the company will usually borrow capital from the bank. This is done to get additional capital. In addition, companies can also get additional capital from individual investors. Investors are certainly not arbitrarily choosing a company to invest their capital in. Every company is required to increase the value of its company because the value of the company is a factor investors consider to invest their capital (Putra, A. N. D. A., & Lestari, P. V., 2016).

In establishing a company, there are main objectives: maximizing profits, prospering shareholders, and optimizing company value. The company's value reflects the success rate on the stock price of investors' perceptions. The higher the stock price, the higher the value of the company. The company's high value will make the market believe in the company's performance and the company's prospects in the future. Tandelilin (2011) argues that company performance can be assessed using Price to Book value (PBV). In addition, an alternative approach in determining the value of shares can use the relationship between the book value per share and the market price because based on the theory the book value is reflected by the market value of the shares.

Company value is an indicator that is very influential for investors in deciding their investment. The high company value also indicates the prosperity of shareholders because the additional benefit is capital gains from the shares owned by investors from the higher company value (Putra, A. N. D. A., & Lestari, P. V., 2016). The debt policy of a company is another indicator that attracts investors' attention. The debt policy of a company influences the company's value; this is due to the burden to be paid due to the use of debt and the benefits derived from the use of debt. Debt policy settings must be carried out carefully because the use of significant debt will maximize the company's value. This means that the company's value will be more excellent if the proportion of a company's debt is higher (Umi Mardiyati., 2012).

The manufacturing industry in recent years has grown quite rapidly; its role in national development shows this. Manufacturing sector companies have a strong future in Indonesia, as this industry is the most developed and can provide the most significant contribution to Indonesia's GDP. Then the value of the company based on the JCI fluctuated. Therefore, the phenomenon of rising and falling stock prices can indicate the condition of the manufacturing sector industry and other sectors in general. Manufacturing companies as corporations seek to maximize their firm value by being productive and investing money wisely. However, there is a gap, namely the JCI and issuers that pay lower dividends in the manufacturing sector than issuers of all companies. In contrast, on the other hand, manufacturing sector companies are expected as high-value producers to have strong financial performance because the manufacturing sector provides the most significant contribution to Gross Domestic Product (GDP). Likewise, Indonesia generates high value for the company, shareholders, and the country.

LITERATURE REVIEW

The value of the company

According to Hery (2017), company value is the company's achievement under certain conditions as an illustration of public trust in the company after going through the activation process for several years, since the company was founded until now.

Dividend Policy

According to Martono and Harjito (2014), dividend policy is a decision whether the distribution of profits to shareholders will be carried out as dividends or retained earnings to finance investments in the future. If profits are distributed as dividends, it will reduce retained earnings, then reduce the total source of internal funds or internal financing. Conversely, if the profits earned are included, the greater the ability to form internal funds.

Debt policy

According to (Martono & Harjito, 2014), dividend policy is a decision whether the profits earned by the company will be distributed to shareholders as dividends or will be retained in the form of retained earnings to finance investments in the future. If the company chooses to distribute profits as dividends, it will reduce retained earnings and further reduce the total sources of internal funds or internal financing. On the other hand, if the company chooses to hold on to the profits earned, the ability to form internal funds will be even greater.

METHODS

This study uses a quantitative approach. The subjects in this study are issuers of the manufacturing sector listed on the Indonesia Stock Exchange from 2003 to 2016. The population used is all manufacturing sector companies listed on the Indonesia Stock Exchange (IDX) from 2003 to 2016. The number of samples used in this study There are 110 (one hundred and ten) manufacturing sector companies listed on the Indonesia Stock Exchange (IDX) during the observation period from 2003 to 2016. The data collection technique uses a documentation study.

DISCUSSION

Classic assumption test

Normality test

The normality test found that the probability is less than 0.05 and the value of the fallow jarque is more than 2.0, namely 8479821>. The residual variable is not normally distributed. Then there is the next stage of testing; the results are close to normality error that meets the requirements in the linear regression assumption, which produces a skewness ratio in positions -2 to +2.

Multicollinearity Test

Table
Correlation Matrix Test Results Between Independent Variables

	Y	X1	X2
Y	1.000000	0.038995	-0.020179
X1	0.038885	1.000000	0.067874
X2	-0.020179	0.067874	1.000000

Source: data processing

The table above shows that there is no large correlation between the variables X1 X2, the correlation result is less than 0.90, it is suspected that there is no linear relationship between these variables.

Heteroscedasticity Test

Based on the heteroscedasticity test, it was found that the X1 variable was homoscedastic because the probability value was greater than 0.05. At the same time, the variable X2 is heteroscedasticity because the probability value is less than 0.05.

Hypothesis Testing

Hypothesis testing was conducted to see the effect of the variables Dividend Policy (KEBDI), Debt Policy (KEBUT), Firm Value (NIPER) in the first model.
Furthermore, the second stage is to know and obtain an overview of the effect of the Debt Policy (KEBUT) and Dividend Policy (KEBDI) variables on Firm Value (NIPER) as moderating variables.

Hypothesis Test Results as follows:
Hypothesis Testing : The direct effect of KEBDI, KEBUT, variables on NIPER.
Simultaneous and partial hypothesis testing was carried out: The effect of KEBDI, KEBUT, variables on NIPER. The test steps are carried out to answer the hypothesis using panel data using the Eviews 8.0 program and Fixed Effect and Random effect regression models. As for empirical research with the Fixed Effect Model approach, ie, differences between individuals and time are reflected through intercepts; with the result:

Table
Estimation Results of Regression Test With Fixed Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.305155	0.376680	-3.464893	0.0006
X1	0.283640	0.062210	4.559402	0.0000
LOGX2	0.020213	0.025887	0.780816	0.4351
Effects Specification				
Period fixed (dummy variables)				
R-squared	0.360941	Mean dependent var		4.730930
Adjusted R-squared	0.349550	S.D. dependent var		1.054455
S.E. of regression	0.850423	Akaike info criterion		2.532036
Sum squared resid	811.4519	Schwarz criterion		2.624660
Log likelihood	-1426.058	Hannan-Quinn criter.		2.567010
F-statistic	31.68538	Durbin-Watson stat		0.851868
Prob(F-statistic)	0.000000			

Source: processed data

From the results of the table above, the following equation can be made:
LOGY = -1.305 + 0.283*X1 + 0.020*LOGX2
To find out whether or not there is a difference in the fixed effect model, a statistical f test will be carried out.

F test statistic

The statistical F test aims to determine which data model is better, the Common Effect (Pool) or Fixed Effect panel data model.

Table
F or Chi-Square Test Statistics.

Effects Test	*Statistic*	*d.f.*	*Prob.*
Period F	3.044408	(13,1122)	0.0002
Period Chi-square	39.623265	13	0.0002

Source: processed data

The table above shows that the probability value of the F test is 0.0002, and the Chi-square probability value is 0.0002. The chi-square probability smaller than 0.05 (< 5%) is declared significant so that H0 is rejected and H1 is accepted. The model follows the Fixed effect Model so that further testing is continued by estimating the Random Effect Model (REM).

Estimated Random Effect (REM) Model

In order to find the individual effects of the Random Effect equation, Random Effect testing will be carried out. The estimation results of the Random Effect Model (REM) are as shown in Table

Table
Estimated Random Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.905962	0.487572	-3.909090	0.0001
X1	0.170305	0.048492	3.512014	0.0005
LOGX2	0.096730	0.029634	3.264147	0.0011

Effects Specification		
	S.D.	Rho
Cross-section random	0.510763	0.3770
Idiosyncratic random	0.656590	0.6230

Weighted Statistics

R-squared	0.221861	Mean dependent var	1.685769
Adjusted R-squared	0.217062	S.D. dependent var	0.778708
S.E. of regression	0.668356	Sum squared resid	507.0035
F-statistic	46.22982	Durbin-Watson stat	1.246660
Prob(F-statistic)	0.000000		

Unweighted Statistics

R-squared	0.303958	Mean dependent var	4.730930
Sum squared resid	883.8072	Durbin-Watson stat	0.758896

Source: processed data

In the table above, the following equation can be made:
LOGY = -1.905 + 0.170*X1 + 0.096*LOGX2
The next test is carried out to see which model is more suitable, namely the Hausman test.

Random Effect Model

The random effect model is carried out using the Hausman test, which is the basis for selecting which model to use. This test is carried out with the following hypothesis:
H0: using a random-effects model
H1: using a fixed-effect model

Provision :
If Ho: is accepted, then the random effect model
If Ho: is rejected, then the effect model remains

The results of empirical research testing the Hausman Estimation with the Random Effect Model can be seen in Table below:

Table
Hausman Statistical Results Estimated With Random Effect Model

Test Summary	*Chi-Sq. Statistic*	*Chi-Sq. d.f.*	*Prob.*
Period random	32.974022	7	0.0000

Source: Appendix 1 processed

The Hausman test results show that the Chi-Square Statistics ($\chi 2$) count is 32,974 and the Chi-square probability value of 0.0000 < 0.05 is declared significant so that H0 is rejected and H1 is accepted, so that it follows the fixed effects model so that further testing is continued by estimating the random-effects model. Following are the results of the regression of the fixed-effect model, which was chosen as the better model.

Table Estimation results of regression test with Fixed Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.305155	0.376680	-3.464893	0.0006
X1	0.283640	0.062210	4.559402	0.0000
LOGX2	0.020213	0.025887	0.780816	0.4351
Effects Specification				
Period fixed (dummy variables)				
R-squared	0.360941	Mean dependent var		4.730930
Adjusted R-squared	0.349550	S.D. dependent var		1.054455
S.E. of regression	0.850423	Akaike info criterion		2.532036
Sum squared resid	811.4519	Schwarz criterion		2.624660
Log likelihood	-1426.058	Hannan-Quinn criter.		2.567010
F-statistic	31.68538	Durbin-Watson stat		0.851868
Prob(F-statistic)	0.000000			

Source: processed data
From the results of the above-fixed effects model, the following regression equation can be made:
LOGY = -1.305 + 0.284*X1 + 0.020*LOGX2
From the results of the fixed effect equation, it is known that:

The coefficient of determination test (R2) with a value of 0.3496 shows that 34.96% of the influence on the Y variable can be explained by the two independent variables X1 and X2. In comparison, the remaining 65.04% is explained by other variables.

Testing the overall hypothesis with the F test, the results of the calculated F value are 31,685 with a probability of 0.0000. This shows that H0 is rejected and H1 is accepted because the calculated F value > from F table = 2.018 (F table at : 5%, df1=k=7 and

df2=nk-1=1143-7-1=1135) and the probability value is below the significance value of 5% (Sig 0.000 <0.05). This shows that simultaneously the independent variables X1, X2 has a significant effect on the dependent variable Y with a significant level of 5%. Then Hypothesis 8: X1, X2 simultaneously has a significant effect on Y is declared accepted. In addition, there will also be partial testing of the existing hypotheses.

Table
Hypothesis Testing Results

Hipotesis	Koefisien Regresi	t-hitung	t-tabel	Proba-bilitas	Kesimpulan (t hitung > t table)	Result
H1.X1→ Y	0.284	4.559402	1.962	0.0000	Signifikan	H1 Diterima
H2.X2→ Y	0.020	0.780816	1.962	0.4351	Tidak Signifikan	H2 Ditolak

Source: processed data

From the results of the hypothesis tests carried out, the results obtained are:

1. Partial hypothesis testing with t-test, the results of the t-count value for X1 variable of 4,559 with a p-value of 0.0000 was declared significant. So the independent variable used, namely X1 is declared to have a significant effect on Y because the value of t count > t table (obtained t table = 1.962 at : 5% with df = n-2 = 1143-2 = 1141). The p-value of the five variables <l of 0.05 is declared to have a significant effect on Y., So the independent variable X1 partially affects the dependent variable Y. This indicates that hypothesis H1 is accepted.
2. While the t value for the X2 variable is 0.781 with a p-value of 0.4351 is declared not significant, because the value of t count < from t table = 1.962 (t table at : 5% and df=n-2=1143-2=1141). The p-value of the two variables is > 0.05. It is declared not to have a significant effect on Y., So the independent variable X2 partially does not affect the dependent variable Y. This indicates that Hypothesis H2 is rejected.

The equation discusses the research output on the impact of KEBDI, KEBUT on NIPER. Based on the output of random period probability testing, the effect using the Hausman test as much as 0.0000 was declared significant (P-value < 5> 95 percent (5 – 0.000). X2), able to reveal its influence on the NIPER variable (Y), as much as 36.09%, while other variables outside the model explain the remaining 63.91%.

F-test tests the overall hypothesis, then the calculated F-number is 31.69 and the probability is 0.0000. This is the calculated F-number > F-table = 2,018 (alpha F-table 5%, df1 = k = 7 and df2 = nk1 = 113271 = 1124), and H0 is rejected because the probability value is: , Ha is accepted. 5 is the significant value % (sig 0.000 < 0.05). This also shows that KEBDI (X1) and KEBUT (X2) variables have a significant effect on the dependent variable NIPER (Y) at a significance level of 5%. Furthermore, it is stated that the hypothesis: KEBDI (X1), KEBUT (X2) is accepted to have a significant effect on NIPER (Y) simultaneously. This means that the variable value (NIPER) of the company is simultaneously influenced by the variables of Dividend Policy (KEBDI) 4.444 and Debt Policy (KEBUT).

The results of the hypothesis test that explain the effect of the independent variable on the dependent variable, namely the firm value of the research model above, are as follows:

Results of Hypothesis 1: The calculated t value for the dividend policy variable (X1) is 4.559 and the P-value is 0.0000, which is declared significant. This means that with a 95% confidence level, researchers can conclude the effect of dividend policy on firm value. Dividend policy has a statistically significant positive effect of 0.284 on firm value. This means that if the dividend policy increases by 5%, the firm value will statistically increase by 0.284%. According to Bird In Hand Theory Gordon (1963), the importance of the results of this test is that the observed stock price increases along with the increase in dividend policy, because stock prices are a substitute for firm value. Prefer dividends because they are considered safer than capital gains. The results of this study support previous research conducted by Rizqia, et al., (2013), Ansori, M., & Denica H.N., (2010), Guizani, M., (2012) Dividend policy has a positive effect on firm value. But paradoxically using the results of previous research conducted by Hardiningsih, (2009), Dwi Sukirni, (2012), Shah, SZA., et al (2011), Dividend Policy variables have no positive and significant effect on firm value.

Result of Hypothesis 2: Debt Policy Variable (X2) has at-count value of 0.059 and a P-value of 0.780816, so that the t-value is declared insignificant. If t-table = 1.962 (t-table at 5% alpha and df=n-2=1132-2=1130), then the second hypothesis states that debt policy affects firm value cannot be accepted. This means that at the 95 confidence level, it can be concluded that debt policy does not affect firm value. Debt policy has a positive impact on firm value, but not significantly. The results of this study support the results of previous research conducted by Meythi, (2010), that debt policy has no effect on company value. However, it is different from the results of previous studies conducted by Dwi Sukirni, (2012), Rizqia, et al. (2013), Reyna, JMSM and Encalada, JAD, (2012), Sudiyatno, B., et al. (2012), Sudiyatno, B. and Puspitasari, E., (2010), Debt policy has a positive and significant effect on firm value. Likewise, the research of Hamidullah and Shah, A., (2011), but the negative relationship of leverage (debt) to Tobin Q (proxy of firm value).

CONCLUSION

Dividend policy affects company value Dividend policy, debt policy, managerial ownership, institutional ownership, size of the board of commissioners, company size, and profitability affect company value in manufacturing companies on the Indonesia Stock Exchange in 2003-2016. Dividend Policy moderates the relationship between Debt Policy and Firm Value in manufacturing companies on the IDX in 2003-2016. Dividend payments motivate investors of manufacturing companies on the IDX to buy shares of companies that pay dividends. Institutional shareholders of manufacturing companies on the IDX can effectively monitor management performance, encourage efficiency in asset utilization, and act as prevention against waste and manipulation of the use of profits by management to increase the value of the company ultimately. Investors are more likely to pay attention to the size of the company. Large manufacturing companies on the IDX tend to have stable conditions; this is the higher the level of investor confidence in the company's ability to pay dividends.

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