

THE EFFECT OF LEVERAGE, EARNINGS PER SHARE, AND DIVIDEND POLICY ON COMPANY VALUE

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ABSTRACT

This study aims to determine the effect of leverage, earnings per share, and dividend policy on firm value in manufacturing companies listed on the Indonesia Stock Exchange for the 2017-2019 period. This study uses a quantitative approach method. The population in this study were 182 companies. sampling technique using purposive sampling method, in order to obtain 38 companies that meet the criteria for 2017-2019. The results of this study conclude that: 1) Leverage has no effect on firm value because the company uses more capital to fund its assets than debt. 2) Earnings per share does not affect the value of the company because the increase and decrease in earnings per share will not affect the value of the company, but is influenced by other factors. 3) Dividend policy has a significant effect on firm value because the higher the dividend policy, the more regular dividends will be distributed by the company, this will make investors interested in investing.

Keywords: Leverage, Earnings Per Share, Dividend Policy, Corporate Value



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INTRODUCTION

The purpose of establishing a company is to increase the welfare of the company's owners by maximizing the value of the company. The company value is also a reflection of the company's condition, where if the company's value is good then the company's condition can be said to be good, and vice versa, if the company's value is bad, the company will be considered bad. A growing company will definitely maximize the value of the company, this aims to attract investors to be interested in investing in the company for profit.

Firm value is the price available to be paid by investors when sold (Wiagustini, 2013). The value of the company can be seen one of them through the stock price. The high share price illustrates the higher the value of the company and vice versa (Chandra et al., 2020). The price of shares traded for public companies is an indicator of company value (Novari & Lestari, 2016). Ownership of shares as movable objects gives the holder material rights (Taufiq, 2017).

Leverage is a ratio that describes the relationship between debt to capital, this ratio is used to see how much the company is financed by debt or external parties with the company's ability described by capital (Harahap, 2013). Companies that have higher income than the debt they have, then the debt has a good effect on the company, on the contrary if the debt is higher than the income of the company, the debt can cause bankruptcy or liquidation (Indah et al., 2019).

Earning Per Share is a ratio that measures the success of management to achieve profits for shareholders (Kasmir, 2019). The high Earning Per Share indicates that the company will be able to provide great income opportunities for shareholders, automatically the value of the company will increase if the shares are favored by investors (Indah et al., 2019).

To see the value of the company can also be seen from the company's ability to pay dividends. When the dividends paid are high, the stock price also tends to be high which will increase the value of the company, and vice versa (Purnama, 2016). The concern faced by companies in dividend policy is how much income can be paid and how much can be maintained (Gyatri & Mustanda, 2012).

From several previous studies found differences in the results of the study. There are several researchers who discuss the effect of leverage, earnings per share, and dividend policy, including research conducted by Rakasiwi et al., (2017), Mindra & Erawati (2014), Sitorus et al., (2020), Chandra et al. , (2020), Mardiyati et al., (2012). With the differences from the results of previous studies, this study will re-examine the variables of leverage, earnings per share, and dividend policy in their influence on firm value. Because that is the basis for researchers to assess whether leverage, earnings per share, and dividend policy are variables that can affect firm value.

Based on the description of the background above, researchers are interested in conducting further research to test whether leverage, earnings per share, and dividend policy have an influence on firm value in manufacturing companies listed on the Indonesian stock exchange, the researchers will take the title "The Effect of Leverage, Earning Per Share, and Dividend Policy on Company Value in Manufacturing Companies listed on the IDX (2017-2019 Period)".

METHODS

This research uses quantitative methods, with research objects namely leverage, earnings per share, dividend policy, and firm value. This study uses secondary data in the form of financial statements of manufacturing companies obtained from the official website www.idx.co.id and directly from the Indonesian Stock Exchange gallery at STIE Widya Gama Lumajang. The population of this study was 182 companies. The sampling technique used the purposive sampling method in order to obtain 38 companies that met the criteria during 2017 - 2019.

RESULTS AND DISCUSSION

Analysis This analysis was used to see the minimum, maximum, average (mean) and standard deviation of each variable.

The following descriptive statistical results can be seen in table 1 below:

Table 1. Descriptive Statistics Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
DER	114	0.9	2.51	0.6166	0.50021
EPS	114	1.00	891.00	170.9474	202.26666
DPR	114	0.02	1.38	0.4041	0.27558
PBV	114	0.35	7.50	2.2696	1.77681

Source: SPSS, data processed by researchers 2021

Based on the descriptive test in the table above, it can be seen that the value leverage measured by the Debt to Equity Ratio (DER) with a sample (n) of 114 is known to have a minimum value of 0.9, a maximum value of 2.51, a mean value of 0.6166 and a standard deviation value (level of distribution). data) is 0.50021. The variable Earning Per Share (EPS) with a sample (n) of 114 is known to have a minimum value of 1.00, a maximum value of 891.00, a mean value of 170.9474 and a standard deviation of 202.26666. The dividend policy variable as measured by the Dividend Payout Ratio (DPR) with a value of (n) totaling 114 is known to have a minimum value of 0.02, a maximum value of 1.38, a mean value of 0.4041 and a standard deviation of 0.27558. The variable value of the firm as measured by Price to Book Value (PBV) with a value (n) of 114 is known to have a minimum value of 0.35, a maximum value of 7.50, a mean value of 2.2696 and a standard deviation of 1.77681.

Table 2. Test Kolmogorov Smirnov

	Unstandardized Residual	Conclusion
Asymp. Sig. (2-tailed)	0.200	Normal

Source: SPSS, Data processed by researchers 2021

Based on the results of the normality test in table 4.3, the normality test results of Asymp Sig (2-tailed) are 0.200 ($0.200 > 0.05$), it can be concluded that the data is normally distributed.

Table 3. Test multicollinearity

Variable	Tolerance	VIF	Conclusions
Leverage	0943	1060	occurs multicollinearity 9Tidak
Earning Per Share	0953	1049	Did not happen multicollinearity
dividend policy	0942	1,062	occurred multicollinearity

Source: SPSS, Data processed in 2021 researchers

Multicollinearity Table 3. The test showed that the independent variables are not correlated with each other. The results of the VIF value for each variable are less than 10 and the value tolerance of each variable is > 0.10 . From these results it can be concluded that in this study there is no multicollinearity between the variables.

Table 4. Autocorrelation Test

Dw	dl	du	4-du	4-dl	conclusion
1,811	1,6410	1,7488	2,2512	2,359	There is no autocorrelation

Source: SPSS, data processed by researchers 2021

Based on the results of the autocorrelation test, it can be seen in table 4 that DW value is 1.811. dU value on Durbin Watson table with $n = 182$ and $k = 3$ which is obtained from $dU = 1.7488$. Value of $dL = 1.6410$ It can be seen that the Durbin-Watson (DW) value is 1.911, thus $dU < DW < 4-dU$ or $1.7488 < 1.911 < 2.2512$. So as the basis for decision making in the Durbin-Watson (DW) test, it can be concluded that there is no autocorrelation.

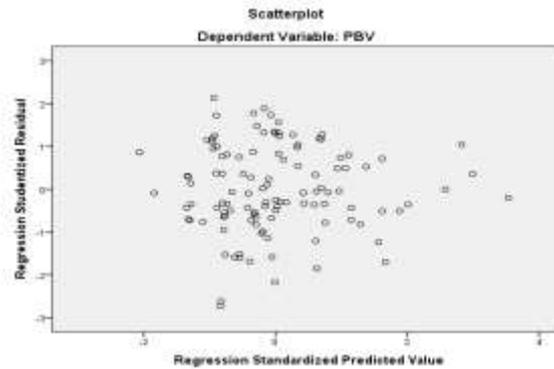


Figure 1 Heteroscedasticity Test
 Source: Processed Data, 2021

Based on the graph of the heteroscedasticity test results in Figure 1, it shows that the points spread above and below the number 0 on the Y axis and do not form a pattern, meaning that there is no heteroscedasticity in this study.

Table 6. Multiple Linear Regression

Model	Unstandardized Coefficients	
	B	Std. Error
(Constant)	1.888	0.239
Leverage	0.024	0.109
Earning per share	0.067	0.059
Dividend policy	0.004	0.001

Source: SPSS, data processed by researchers 2021

After looking at table 6 it can be concluded that the results of the SPSS output above can be formed multiple linear regression equations as below: $Y = 1.888 + 0.024 (X_1) + 0.067 (X_2) + 0.004 (X_3) + e$.

Based on the above equation it can be seen that the variable leverage has a coefficient value in a positive direction, the variable earning per share has a coefficient value in a positive direction, and dividend policy has a coefficient value in the positive direction.

Table 7. Partial Test (t-test)

Variable	T	Sig.	Conclusion
Leverage	0,217	0,829	No significant
Earning per share	1,133	0,260	No significant
dividend policy	2,715	0,008	Significant

Source: SPSS, Data processed researchers in 2021

Based on test results t in table 4.11, the calculated t value is 0.217 with a significant value of 0.829. Meanwhile, the t-table value is obtained by looking at the t-table with the provisions $(\alpha/2 ; nk-1) = (0.05/2 ; 114 - 3 - 1) = (0.025 ; 110) = 1.98177$. From the results of the t table calculation, it is known that the t value of 0.217 is smaller than the t table (1.98177) which means that leverage has no effect on firm value. With a significance value leverage of 0.829, it is greater than the predetermined value of 0.05. So it can be concluded that leverage has no effect on firm value.

Based on the results in Table 4:11 t test, t value of 1,133 with significant value 0,260. Meanwhile, the t-table value is obtained by looking at the t-table with the provisions $(\alpha/2 ; nk-1) = (0.05/2 ; 114 - 3 - 1) = (0.025 ; 110) = 1.98177$. From the results of the t-table calculation, it is known that the t-count value of 1.133 is smaller than the t-table (1.98177) which means that earnings per share have no effect on firm value. With a significant value of earnings per share of 0.260, it is greater than the predetermined value of 0.05. So it can be concluded that earnings per share has no effect on firm value.

Based on the results of the t test at 4:11 table, t value of 2,715 with significant value 0,008. Meanwhile, the t-table value is obtained by looking at the t-table with the provisions $(\alpha/2 ; nk-1) = (0.05/2 ; 114 - 3 - 1) = (0.025 ; 110) = 1.98177$. From the results of the t-table calculation, it is known that the t-count value of 2.715 is greater than the t-table (1.98177) which means that dividend policy has an effect on firm value. With a dividend policy significance value of 0.008, it is smaller than the predetermined value of 0.05. So it can be concluded that dividend policy has a significant effect on firm value.

Table 8. Results Coefficient Determination

R Square	Adjusted R Square
0.083	0.058

Source: SPSS, researchers processed data in 2021

Based on table 8 can be seen that the value of determination coefficient of 0.083 or 8.3%, which means that the influence of variables independent which include leverage, earnings per share variables, and dividend policy on the dependent variable, namely the firm value of 8.3% and the remaining 0.917 or 91.7% influenced by variables other than the variables used in this study.

Leverage is a ratio used to measure the extent to which a company's assets are financed with debt (Kasmir, 2019). Leverage is usually used to measure the extent to which a company's assets are financed by debt, which means how much debt is borne by a company compared to its assets.

In this study, leverage is measured using the Debt to Equity Ratio (DER) by comparing total debt with total equity. From the results of the t-test that has been carried out, leverage has no effect on the value of the company with a t-count value of 0.217 which is smaller than the t-table (1.98177). This result can occur because the company uses more capital in financing its assets than debt, the company also tends to use its own capital in investing compared to debt, by issuing new shares, which management believes is more efficient.

This study is in line with research conducted by Mindra & Erawati (2014) and Rakasiwi et al., (2017) which stated in their research that leverage has no significant effect on firm value. However, this study does not support the results of the research conducted by Chandra et al., (2020) which states in their research that leverage has an effect on firm value.

Earning per share or earnings per share is the net profit for each share that the company can achieve when running its operations (Mindra & Erawati, 2014). In this study, earnings per share is calculated by comparing net income to the number of ordinary shares outstanding. From the results of the t test that has been done earning per share has no effect on the value of the company with the t count value of 1.133 which is smaller than the t table (1.98177). This result can occur because the increase in firm value is not caused by high earnings per share, in other words the increase and decrease in earnings per share will not affect the firm value, but is influenced by other factors. This is because, companies with high earnings per share are not always followed by high returns.

This study is in line with research conducted by Kusuma et al., (2020) and Mindra & Erawati (2014) which stated in their research that earnings per share had no significant effect on firm value. However, this study does not support the results of research conducted by Sitorus et al., (2020) which states in their research that earnings per share have a significant effect on firm value.

policy is a decision whether the company will distribute the profits earned to shareholders in the form of dividends or will be withheld to increase capital in financing investments. As stated (Wijoyo, 2018) dividend policy is a decision whether the profits earned by the company at the end of the year will be distributed to shareholders in the form of dividends or will be retained to increase capital for investment financing in the future.

In this study dividend policy using the Dividend Payout Ratio (DPR). This ratio is found by comparing cash dividends per share with earnings per share. From the results of the t-test that dividend policy has had a significant effect on firm value with a t-count value of 2.715, it is greater than t-table (1.98177). The results of this study indicate that dividend policy has a significant effect on firm value, this condition indicates the higher the level of dividend policy, the higher the firm value. This is because investors are more interested in companies with high dividend ratios, because investors think that companies that are able to distribute dividends with high values can be said to be prosperous and able to meet the company's needs.

This study is in line with research conducted by Rakasiwi et al., (2017) and Suffah & Riduwan, (2016) who stated in their research that dividend policy has a significant effect on firm value. However, this study does not support the results of research conducted by Mardiyati et al., (2012) which states in their research that dividend policy has no significant effect on firm value.

CONCLUSION

Leverage has no effect on firm value because the company uses more capital in financing its assets than debt. Earning per share has no effect on firm value because the increase and decrease in earnings per share will not affect firm value, but is influenced by other factors. Dividend policy has a significant effect on firm value because the higher the dividend policy, the more regular the dividends will be distributed by the company, this will make investors interested in investing.

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