



## The Effect of Dividend Policy, Capital Structure, Profitability, and Growth on Firm Value

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### Abstract

*This study aims to determine the effect of dividend policy, capital structure, profitability, and growth on firm value and its review from an Islamic point of view. The population in this study are all companies members of the LQ45 index on the Indonesia Stock Exchange for the 2015-2019 period. The sampling technique used is a purposive sample. The number of samples in this study was 16 companies. Data was collected using secondary data obtained from external data, namely the financial statements of LQ45 index companies listed on the Indonesia Stock Exchange in the 2015–2019 period. The data analysis method used is panel data regression analysis. The study results show that: (1) dividend policy has no effect on firm value. (2) capital structure has a positive effect on firm value. (3) profitability has a positive effect on firm value. (4) growth partially has no effect on firm value. Management should control a proportional debt policy to grow the firm's value on an ongoing basis and focus on increasing profitability through sales growth and cost-efficiency by increasing asset turnover and cost of debt efficiency. It is expected that firm value increase sustainability.*

## Pengaruh Kebijakan Dividen, Struktur Modal, Profitabilitas, dan Pertumbuhan Terhadap Nilai Perusahaan

### Abstrak

#### Keywords:

(1) kebijakan dividen, (2) struktur modal, (3) profitabilitas, (4) pertumbuhan, (5) nilai perusahaan

#### Conflict of interest:

None

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**D53, G23**

Penelitian ini bertujuan untuk mengetahui pengaruh kebijakan dividen, struktur modal, profitabilitas, dan pertumbuhan terhadap nilai perusahaan dan tinjauannya dari sudut pandang Islam. Populasi dalam penelitian ini adalah seluruh perusahaan anggota indeks LQ45 di Bursa Efek Indonesia periode 2015-2019. Teknik pengambilan sampel yang digunakan adalah purposive sample. Jumlah sampel dalam penelitian ini adalah 16 perusahaan. Pengumpulan data menggunakan data sekunder yang diperoleh dari data eksternal yaitu laporan keuangan perusahaan indeks LQ45 yang terdaftar di Bursa Efek Indonesia periode 2015–2019. Metode analisis data yang digunakan adalah analisis regresi data panel. Hasil penelitian menunjukkan bahwa: (1) kebijakan dividen tidak berpengaruh terhadap nilai perusahaan. (2) struktur modal berpengaruh positif terhadap nilai perusahaan. (3) profitabilitas berpengaruh positif terhadap nilai perusahaan. (4) pertumbuhan secara parsial tidak berpengaruh terhadap nilai perusahaan. Manajemen harus mengendalikan kebijakan utang yang proporsional untuk menumbuhkan nilai perusahaan secara berkelanjutan dan fokus pada peningkatan profitabilitas melalui pertumbuhan penjualan dan efisiensi biaya dengan meningkatkan perputaran aset dan efisiensi biaya utang. Nilai perusahaan diharapkan dapat meningkatkan keberlanjutan.



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## 1. Introduction

The phenomenon that has occurred in the last few years is that economic growth and development are developing rapidly, both in Indonesia and throughout the world. Nowadays, there is a lot of intense competition in the business world, so entrepreneurs are required to innovate and create strategies in order to maintain their business. The more the business world develops, the more companies there are, so this can lead to increasingly fierce competition.

As a result of the intense competition, the company is compelled to further improve its performance in order to achieve its goals (Amalia & Wulanditya, 2016). The main purpose of the company is not only to earn profit in carrying out its business activities, but also to increase the value of the company so that the welfare of shareholders grows sustainably (Santosa, 2020).

The value of the company is very important because it is an investor's perception of the company itself. Investors use the value of the company as a basis to see the company's performance in the future period, in where the value of the company is often related to its share price and book value. Investors will benefit if the company's stock price increases (Sintyana & Artini, 2019). The parameter used in this study to measure firm value is *price-to-book value (PBV)*. PBV is the ratio of share price to book value. The higher the stock price, the higher the value of the company, on the contrary if the lower the stock price, the value of the company is also low (Wulandari & Badjra, 2019). That way PBV to see the company's performance and share prices are intrinsic. A high company value will make the market believe, not only in the company's performance, but the market will also believe in business prospects in the future (Rudangga & Sudiarta, 2016). For companies that *go public*, the value of the company's shares is an important factor because it is the main thing that attracts potential investors to invest (Septantya, Dzulkirom, & Azizah, 2015).

Dividend policy is a decision of the board of directors related to how much profit must be paid to shareholders in the form of dividends and how much amount must be retained as additional company capital for financing investments in the future. (Santosa et al., 2020). If the company chooses to distribute profits in the form of dividends, it will reduce the total internal funding sources and reduce retained earnings. In addition, companies that offer profits in the form of larger dividends tend to be favored by investors because they can provide good returns. Meanwhile, if the company chooses the option to withhold the profits earned, then the ability to form internal funds will be even greater. The greater the retained earnings, the stronger the capital structure and financial position of the company. Thus the dividend policy is an important part of the company's strategy in the long term regarding financing while taking into account the company's main objectives which directly affect the company's value. (Brigham & Houston, 2019).

Capital structure is a comparison between foreign capital and own capital. Foreign capital is divided into long-term and short-term debt. Meanwhile, own capital is

divided into retained earnings and company ownership. The capital structure is important for the company because the good or bad capital structure will have a direct effect on the company's financial position, which in turn will affect the value of the company (Albart et al., 2020) . Errors in determining the capital structure will have a broad impact, especially if the company is too large in using debt, so that the fixed burden that must be borne by the company is even greater. This also means that it will increase financial risk and firm value ( Firmanullah & Darsono, 2017) . Thus the funding decision must optimize the balance between risk and *return* so as to maximize firm value . Previous research conducted by Parasibu & Sulasmiyati, ( 2016) stated that capital structure has a positive and significant effect on firm value , however Santosa et al. (2020) states the opposite .

Profitability is the level of the company's ability to create profits that can be achieved when carrying out its business operations . High profits indicate a good prospect for the company, thus triggering investors to participate in increasing the demand for shares. The better the company's profitability growth means that the future business prospects are considered good by investors (Santosa et al., 2020) . If there is an increase in the demand for a company's shares, it will increase the share price in the capital market, so that it can increase the value of the company (Sudiani & Darmayanti, 2016) . This profitability will reflect the effectiveness and success of the overall management in increasing the value of the company . If the company is not able to generate sufficient profitability, then the company will not be able to maintain its business continuity (Sutama & Lisa, 2018) .

Growth shows how far the company puts itself in the overall economic system or the economic system for the same industry (Sudiani & Darmayanti, 2016) . The company's growth indicator is asset growth. Asset growth is defined as a change (decrease or increase) in the total assets owned by the company. Asset growth is calculated as the percentage change in assets at a certain time against the previous year. Companies that continue to grow will generally have good prospects, this is responded positively by investors so that it will have an effect on increasing stock prices (Suastini, Purbawangsa, & Rahyuda, 2016) . The previous research conducted ( Suryani , 2018) stated that growth had a positive and significant effect on firm value.

This study aims to study the effect of some of the company's fundamental variables, namely dividend policy, capital structure, profitability and growth on firm value, especially companies that are major issuers on the IDX. This is important because investors, especially in the capital market, need scientific information in determining their stock choices.

## **2. Literature Studies and Hypotheses**

### **2.1 Dividend policy and firm value**

Dividend policy is an integral part of the company's funding decisions. The *Dividend-Payout Ratio* determines the amount of retained earnings in the company as a source of funding. However, holding a larger amount of current earnings in the company also

means that less money will be available for current dividend payments (Van Horne, 2014). Therefore, the board of directors must make decisions by creating a balance between dividends and retained earnings by taking into account the goals of the company, namely the welfare of company owners and increasing the value of the company. The results of previous research by Ayem and Nugroho (2016) stated that Dividend Policy had a positive and significant effect on firm value. The results of the Senata Research (2016) concluded that Dividend Policy has a positive and significant effect on firm value. The results of the research by Paminto, Setyadi and Sinaga (2016) concluded that the dividend policy positively and does not significantly influence the firm value. The results of research by Lumapow and Tumiwa (2017) conclude that dividend policy has a negative effect on firm value . By referring to the theory and also supported by previous research, the following hypotheses can be formulated:

H1: Dividend policy has an effect on firm value ( +/ - )

## 2.2 Capital structure and firm value

Capital structure is the mix or proportion of a company's permanent long-term financing represented by debt, preferred stock, common stock and equity (Van Horne, 2014). The optimal capital structure is a capital structure that optimizes the balance between risk and return so as to maximize share prices (Astuti, 2004). Therefore, to balance the capital structure, the company must pay attention to all the variables that affect the capital structure and are calculated in detail using the WACC (*Weighted Average Cost Capital*) method. The results of Prastuti and Sudiarta's research (2016) which state that Capital Structure has a positive and significant effect on firm value. The results of research by Hamidy, Wiksuana and Artini (2015) concluded that capital structure has a positive and significant effect on firm value. The research results of Sephani and M (2017) conclude that the result of this study shows that there is no significant effect of capital structure on firm value. The results of Komarudin and Affandi's research (2019) conclude that capital structure has a negative effect on firm value. By referring to the theory and also supported by previous research, the following hypotheses can be formulated:

H2: The capital structure has an effect on the firm value ( +/ - ) .

## 2.3 Profitability and firm value

According to Brigham and Houston (2019), profitability is the company's ability to operate in the long term depending on the achievement of a reasonable level of profit. Companies that are strategically managed have earnings per share ( *Earning Per Share, EPS* ) or return on shares ( *Return On Equity, ROE* ). Therefore, based on the profitability ratio, the higher the ratio value, the better the condition of the company, so in this case it shows how well the company uses its assets to generate profits and value for shareholders. The results of research by Sugiarto and Santosa (2017) which state that profitability has a negative and significant effect on firm value. The results of Dhani and Utama's research (2017) conclude that profitability has a positive and

significant effect on firm value. The results of Maha Dewi and Sudiarta's research (2017) conclude that profitability has a positive and significant effect on firm value. The results of the research by Sugosha and Artini (2020) concluded that the result that profitability has a significant positive effect on the firm value. By referring to the theory and also supported by previous research, the following hypotheses can be formulated: H3: Profitability has a positive effect on the firm value ( + )

## **2.4 Assets growth and firm value**

According to Santosa (2019), the growth ratio is a ratio that describes the company's ability to maintain its economic position in the midst of economic growth and its business sector. The company's growth indicator is asset growth. Asset growth is defined as a change (decrease or increase) in the total assets owned by the company. Asset growth is calculated as the percentage change in assets at a certain time against the previous year. Companies that continue to grow generally will have good prospects, this is responded positively by investors so that it will have an effect on increasing stock prices (Suastini, Purbawangsa & Rahyuda, 2016) . The results of research by Suastini, Purbawangsa and Rahyuda (2016) which state that company growth has a positive and significant effect on firm value. Suryandani's research results (2018) conclude that company growth has a positive and significant effect on firm value. The results of the Betavia Research (2019) concluded that the result of the study showed that partial growth did not influence significantly to the firm value. However, the results of the research by Dewi and Candradewi (2018) which conclude that growth has no effect on firm value. By referring to the theory and also supported by previous research, the following hypotheses can be formulated:

H4: Assets growth has a positive effect on the firm value ( + )

## **3. Data and Method**

### **3.1 Types of Data and Data Sources**

The type of data used in this study is secondary data which is a source of data obtained by researchers indirectly through intermediary media. In addition, secondary data can be obtained from external data, namely data obtained from other institutions or organizations where the research is carried out. Where the data obtained from the annual financial statements for the period 2015–2019. The source of data obtained to conduct this research comes from the Indonesia Stock Exchange (IDX) through the official website of the Indonesian Stock Exchange ([www.idx.co.id](http://www.idx.co.id)). To strengthen this research, which comes from official institution sites, that is by multiplying readings from books, articles and journals related to variables to get accurate or valid data.

### **3.2 Population and Sample**

The population is a generalization area consisting of objects or subjects that have certain qualities and characteristics determined by researchers to be studied and then drawn conclusions (Santosa & Hidayat, 2014) . The population in this study are all companies that are members of the LQ45 index on the Indonesia Stock Exchange for the 2015-2019 period.

The sample is representative of the population whose results represent the entire phenomenon being studied or observed. Sampling in this study used a purposive sampling technique where the sample was with certain criteria that were tailored to the needs of this study:

The criteria for selecting the sample in this study are as follows:

- LQ45 Index Companies listed on the Indonesia Stock Exchange during the 2015 to 2020 research period. Newly registered and unlisted companies during that period will be excluded from the sample.
- Companies that have complete published financial statement data during the 2015 to 2020 research period. Companies that do not have complete data will be excluded from the sample.
- Companies that actively pay dividends during the study period from 2015 to 2020. Meanwhile, companies that do not actively pay dividends in certain years during the study period will be excluded from the sample.

### 3.3 Measurement Scale

The measurement of variables in this study used the following measurement methods and scales :

**Table 2 . Operational Definition and Measurement Scale**

No.	Variable	Measurement	Scale
1.	The firm value	$PBV = \frac{\text{Share Price}}{\text{Book Value}}$	Ratio
2.	Dividend Policy	$DPR = \frac{\text{Cash Dividend}}{\text{EPS}}$	Ratio
3.	Capital Structure	$DER = \frac{\text{Total Debt}}{\text{Equity}}$	Ratio
4.	Profitability	$ROE = \frac{\text{Net Income}}{\text{Equity}}$	Ratio
5.	Company Growth	$\text{Growth} = \frac{\text{Total Assets} - \text{Total Assets}_{t-1}}{\text{Total Assets}_{t-1}}$	Ratio

### 3.4 Panel Data Analysis

According to (Santosa & Hidayat, 2014) panel data is data that consists of a combination of *time series* data and *cross-section data* . In other words, panel data consists of multiple object data and spans multiple times. In this study, managing the panel data using the Eviews 10 version software. There are many advantages of using panel data regression, here are some advantages of panel data regression, including:

1. Panel data are able to account for individual heterogeneity explicitly by allowing for individual-specific variables.

2. This ability to control heterogeneity further makes panel data can be used to test and build more complex behavioral models.
3. Panel data is based on *cross-sectional observations* and *time series* , so that the panel data method is suitable to be used as a *study of dynamic adjustment* .
4. The high number of observations has implications for data that is more informative, more varied , and the collinearity between the data is decreasing, and the degrees of freedom are higher so that more efficient estimation results can be obtained.
5. Panel chests can be used to minimize bias that may be created by aggregating individual data.

Panel data in econometric models is denoted by it. The equation in the regression is as follows:

$$PBV_{it} = \alpha_{it} + \beta_1 DPR_{it} + \beta_2 DER_{it} + \beta_3 ROE_{it} + \beta_4 GRO_{it} + \varepsilon_{it}$$

where :

- PBV = Firm value  
 $\alpha$  = Intercept coefficient  
 $\beta_1 \dots \beta_4$  = Slope coefficient  
 DPR = Dividend policy  
 DER = Capital structure  
 ROE = Profitability  
 GRO = Company assets growth  
 $\varepsilon$  = Error term

## 4. Analysis Results

### 4.1 Descriptive Analysis

The following are descriptive statistical results based on the sample criteria used in this study including: the average value (mean), the median value (median), the largest value (maximum), the smallest value (minimum), the amount of data (observation) and the standard deviation for each variable. below are the results of the descriptive analysis test as follows:

**Table 3 . Descriptive Analysis Results**

	PBV	DPR	DER	ROE	G RO
mean	8.001750	37.01175	2.047000	27.69175	8.713500
median	3.1200000	30.21500	0.895000	16.60000	8.185000
Maximum	82.62000	413.5400	6.760000	160.900	41.35000
Minimum	0.3600000	0.000000	0.190000	4.500000	-10.52000
Std. Dev.	15.09117	53.19258	2.098606	32.94923	8.441995

Source: Processing results ( 2021 )

In Table 3 in above explains that the amount of data (observation) in this study is 80. The Firm Value (PBV) variable has an average value (Mean) of 8.001750 with the largest value (Maximum) 82.62000 and the smallest value (Minimum) 0.360000 and the standard deviation value of 15.0911. The Dividend Policy (DPR) variable has an average value (Mean) of 37,017 with the largest value (Maximum) of 413.5400 and the

smallest value (Minimum) of 0.000000 and a standard deviation of 53,19258. The Capital Structure variable (DER) has an average value (Mean) of 2.0470 with the largest value (Maximum) 6.760000 and the smallest value (Minimum) 0.190000 and the standard deviation value of 2.098606. The Profitability (ROE) variable has an average value (Mean) of 27.6917 with the largest value (Maximum) 160,9000, the smallest value (Minimum) 4.5000 and the standard deviation value of 32,94923. The growth variable (GRO) has an average value (Mean) of 8.7135 with the largest value (Maximum) 41.3500 and the smallest value (Minimum) -10.5200 and the standard deviation value of 8.4411. By knowing the value of the standard deviation is greater than the average value, it shows that the distribution of observation data is large and has a tendency for each data to be different from one another.

## 4. 2 Pearson Correlation

This analysis measures the strength of the association and the direction of the relationship between variables expressed in numerical terms known as the Pearson correlation coefficient. Based on the processing of the Pearson correlation analysis that has been carried out, it is presented in Table 4 below below:

**Table 4 . Pearson Correlation Analysis**

	PBV	DPR	DER	ROE	G RO
PBV	1.0000				
DPR	0.2056	1.0000			
DER	0.0032	-0.1644	1.0000		
ROE	0.8704	0.2235	-0.0161	1.0000	
G RO	0.0995	0.0306	0.1503	0.1341	1.0000

*Source: Processing results ( 2021 )*

Based on Table 4 above the results of the correlation test as well as with Table 3.3. The interpretation of the Pearson correlation coefficient shows that the Dividend Policy (DPR) variable has a low and direct relationship to the Firm Value (PBV) variable with a correlation coefficient of 0.205631. The Capital Structure Variable (DER) has a very low and unidirectional relationship to the Firm Value (PBV) variable with a correlation coefficient of 0.003285. Profitability variable (ROE) has a very strong and unidirectional relationship to the Firm Value (PBV) variable with a correlation coefficient of 0.870484. The growth variable (GRO) has a very low and unidirectional relationship to the firm value variable (PBV) with a correlation coefficient of 0.099558.

## 4. 3 Panel Data Analysis Model Estimation

### 4.3.1 Common Effect Model (CEM) Method Approach

*Common Effect Model (CEM)* approach is one of the requirements for conducting the Chow-Test. In this method the *dependent variable* is Firm Value (PBV) while the *independent variables* are Dividend Policy (DPR), Capital Structure (DER), Profitability (ROE) and Growth (G). Based on the results of processing eviews 10, the results obtained as in Table 5 are as follows:

**Table 5. Results of the Common Effect Model Method**

Variable	Coefficient	Std. Error	t-Statistics	Prob.
C	-3.207924	1.655784	-1.937405	0.0565
DPR	0.004402	0.016747	0.262868	0.7934
DER	0.165590	0.418775	0.395416	0.6937
ROE	0.398573	0.026886	14,82468	0.0000
G RO	-0.037806	0.103599	-0.364922	0.7162
R-squared	0.758676	Mean dependent var		8.001750
Adjusted R-squared	0.745805	SD dependent var		15.09117
SE of regression	7.608628	Akaike info criterion		6.956904
Sum squared resid	4341,842	Schwarz criterion		7.105781
Likelihood logs	-273.2762	Hannan-Quinn Criter.		7.016593
F-statistics	58.94631	Durbin-Watson stat		1.567441
Prob(F-statistic)	0.000000			

Source: Processing results ( 2021 )

Based on the results of Table 5 , it can be seen that by using the *Common Effect Model*, you will get an R -squared of 75.86%. Of the four independent variables, only profitability (ROE) which has a significant effect on the dependent variable , company value ( PBV )

#### 4.3.2 Fixed Effect Model (FEM) Method Approach

Next, data processing will be carried out using the *Fixed Effect Model* (FEM) approach method to be compared with the Common Effect method in the Chow-Test test. From the results of data processing obtained results such as Table 6 as follows:

**Table 6 . Fixed Effect Model Method Results**

Variable	Coefficient	Std. Error	t-Statistics	Prob.
C	-10,97295	4.287113	-2.559520	0.0130
DPR	-0.001009	0.011881	-0.084885	0.9326
DER	5.891653	2.024986	2.909479	0.0051
ROE	0.234034	0.052808	4.431788	0.0000
G RO	0.054054	0.076848	0.703388	0.4845
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.917093	Mean dependent var		8.001750
Adjusted R-squared	0.890839	SD dependent var		15.09117
SE of regression	4.986058	Akaike info criterion		6.263486
Sum squared resid	1491,647	Schwarz criterion		6.858993
Likelihood logs	-230.5395	Hannan-Quinn Criter.		6.502242
F-statistics	34.93156	Durbin-Watson stat		3.148258
Prob(F-statistic)	0.000000			

Source: Processing results ( 2021 )

Based on the results of Table 6 . It can be seen that by using the Fixed Effect Model, you will get an R-squared of 91.70%. From the four independent variables, it was found that capital structure ( DER ) and profitability (ROE) had a significant effect on company value (PBV) .

#### *Chow Test*

To choose the best panel data estimation model between CEM or FEM, a Chow-Test test is carried out. The hypotheses used in this test are:

Ho : Common Effect model

H1 : Fixed Effect Model

Decision making basis:

If the probability value in the cross-section  $F > 0.05$ , then Ho is accepted.

If the probability value in the cross-section  $F < 0.05$ , then Ho is rejected.

**Table 7. Chow Test Results**

Redundant Fixed Effects Tests  
Equation: Untitled  
Test cross-section fixed effects

Effects Test	Statistics	df	Prob.
Cross-section F	7.643084	(15.60)	0.0000
Cross-section Chi-square	85.473441	15	0.0000

*Source: Processing results ( 2021 )*

Based on the results of Table 7 . above in the Chow-Test test, it is known that the probability value of the Cross-section F value is less than 0.05 then H0 is rejected, so it can be concluded that based on the results of the Chow-Test the best panel data estimation model is FEM

#### **4.3.3 Random Effect Model (REM) Method Approach**

Data processing used the *Random Effect Model* (REM) approach to compare it with the *Fixed Effect method* in the Hausman-Test test. From the results of processing the Eviews 10 program, the results are as follows:

**Table 8 . Results of the Random Effect Model Method**

Variable	Coefficient	Std. Error	t-Statistics	Prob.
C	-2.618534	2.379366	-1.100518	0.2746
DPR	-0.003515	0.011675	-0.301079	0.7642
DER	0.682527	0.712646	0.957737	0.3413
ROE	0.333966	0.037011	9.023481	0.0000
G RO	0.012068	0.074163	0.162728	0.8712
Effects Specification			SD	Rho

Random cross-section	5.851746	0.5794	
Idiosyncratic random	4.986058	0.4206	
Weighted Statistics			
R-squared	0.515784	Mean dependent var	2.849251
Adjusted R-squared	0.489959	SD dependent var	7.457759
SE of regression	5.326120	Sum squared resid	2127,567
F-statistics	19.97237	Durbin-Watson stat	2.930733
Prob(F-statistic)	0.000000		

Source: Processing Results (2021)

Based on the results of Table 8 , it can be seen that by using the *Random Effect Model* , you will get an R-squared of 51.57%. Of the four independent variables, only profitability (ROE) which has a significant effect on company value ( PBV )

#### *Hausman Test*

With the Chow-Test test showing the best panel data estimation model, namely FEM, then a comparison will be made between the *Random Effect Model* (REM) and *Fixed Effect Model* (FEM) with the Hausman-Test test. The hypotheses used in this test are:

Ho : Random Effect model

H1 : Fixed Effect Model

decision making basis:

If the probability value in the random cross-section  $> 0.05$ , then Ho is accepted.

If the probability value in the random cross-section  $< 0.05$ , then Ho is rejected

#### **Table 9 . Hausman Test Results**

Correlated Random Effects - Hausman Test

Equation: Untitled

Test cross-section random effects

Test Summary	Chi-Sq. Statistics	Chi-Sq. df	Prob.
Random cross-section	14.5792	4	0.0057

Source: Processing Results (2021)

Based on the results of Table 9 above on the Hausman-Test test, it is known that the probability value of the Random Cross-section value is less than 0.05, then H0 is rejected, so it can be concluded that based on the Hausman-Test results the best panel data estimation model is FEM

## **5. Discussion**

### **5.1 Effect of dividend policy on firm value**

The results of the research conducted on the first hypothesis indicate that dividend policy (DPR) has no significant effect on firm value (PBV) with a regression coefficient value of -0.001009 with a significant value of 0.9326 and a t-statistic value of -0.084885.

The results of this study are in line with the results of research from Meidiawati & Mildawati (2016) which states that dividend policy has no effect on firm value. This is in accordance with the irrelevant dividend theory proposed by Modigliani & Miller (MM) which states that based on the company's investment decisions, the dividend payout ratio is only a detail and does not affect the wealth of shareholders. M&M argues that a firm's value is determined solely by the profitability of the firm's assets or its investment policies, and that the way in which profit flows are split between dividends and retained earnings does not affect value (Van Horne & Wachowicz Jr, 2007). Different research results are shown by Maggee Senata (2016) which shows that dividend policy has a positive and significant effect on firm value and research from Paminto, Setyadi & Sinaga (2016) shows that the dividend policy results positively and not significantly influence the firm value. And research from Lumapow & Tumiwa (2017) shows that dividend policy has a negative and significant effect on the firm value

## **5.2 Effect of capital structure on firm value**

The results of the research conducted on the second hypothesis indicate that the capital structure (DER) has a positive and significant effect on firm value (PBV) with a regression coefficient of 5.891653 with a significant value of 0.0051 and a t-statistic value of 2.909479.

The results of this study are in line with the results of research from Prastuti & Sudiartha (2016) which states that capital structure has a positive and significant effect on firm value and research from Hamidy, Wiksuana & Artini (2015) shows that capital structure has a positive and significant influence on firm value. This is in accordance with the trade off theory which has the implication that managers will think in terms of a trade off between tax savings and the cost of financial difficulties in determining the capital structure, so it can be concluded that the use of debt will increase firm value but only up to a certain point. After reaching that point, the use of debt will reduce debt not commensurate with the increase in costs of financial distress and agency problems. This turning point is also called the optimal capital structure, indicating the optimal amount of company debt. The opposite research results are shown by Komarudin & Affandi (2019) showing that the capital structure did not have a significant negative effect on firm value and research from Stephani & Machali M (2017) shows that there is no significant effect of capital structure on firm value

## **5.2 Effect of profitability on firm value**

The results of the research conducted on the third hypothesis indicate that profitability (ROE) has a positive and significant effect on firm value (PBV) with a regression coefficient value of 0.234034 with a significant value of 0.0000 and a t-statistic value of 4.431788.

The results of this study are in line with the results of research from Dhani & Utama (2017) which states that profitability has a positive and significant effect on firm value.

Other research results from Dewi & Sudiartha (2017) show that profitability has a positive and significant effect on firm value. and research results from Sugosha & Artini (2020) show that profitability has a significant positive effect on the firm value. In this test contained in the t-statistics, it can be concluded that the higher the profitability value, the better the condition of the company, so that in this case it shows how well the company uses its assets to generate profits and value for shareholders. Different research results are shown by Sugiarto & Santosa (2017) showing the results that profitability has a negative and significant effect on firm value

#### **5.4 Effect of growth on firm value**

The results of the research conducted on the fourth hypothesis indicate that growth (G) has no significant effect on firm value (PBV) with a regression coefficient value of 0.054054 with a significant value of 0.4845 and a t-statistic value of 0.703388.

The results of this study are in line with the results of research from Dewi & Candradewi (2018) which states that growth has no effect on firm value. And Research from Betavia (2019) states that growth does not influence significantly to the firm value. It can be interpreted that if the company's growth has increased then it will not be followed by an increase in the value of the company. This is because high growth causes the need for funds to increase. The greater the growth rate, the higher the costs required to manage the company's operational activities. because the company will focus more of its funds on the needs of the company's growth compared to the welfare of shareholders. This will cause investors to distrust the company and the value of the company will decrease (Meidiawati & Mildawati, 2016). The opposite research results are shown by Suastini, Purbawangsa & Rahyuda (2016) stating the results that company growth has a positive and significant effect on firm value. and research from Suryandani (2018) shows that the results of company growth have a positive and significant effect on firm value.

#### **6. Conclusion**

This research was conducted to determine the effect of dividend policy, capital structure, profitability and company growth on company value. With the results of the analysis and discussion and the hypotheses that have been tested, discussed, it is concluded that dividend policy does not significantly affect firm value but the capital structure shows a significant positive effect. Dividend policy should be a clear signal to investors, but in this study it has no significant effect on firm value. It is different with debt policy which affects firm value positively and significantly because the debt portion of this study sample shows that it is not optimal. Similar to debt policy, the profitability variable also shows a positive influence on firm value because increasing profitability will trigger an increase in stock prices so that the market ratio will increase. Another interesting finding is that company growth does not significantly affect firm value even though it is positive information for investors. It is clear that investors still see direct indicators that affect stock prices, namely debt policy and profitability.

The managerial implication of this study is the importance of management increasing proportional debt policy so that it will continue to grow the value of the company on an ongoing basis, in addition, focusing on increasing profitability through sales growth and cost efficiency. By increasing asset turnover and cost of goods sold efficiency, it is expected that firm value will increase.

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