THE INFLUENCE OF LEVERAGE, PROFITABILITY, DIVIDEND POLICY AND INVESTMENT OPPORTUNITY ON THE COMPANY VALUE

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Abstract

This study aims to obtain empirical evidence about the influence of leverage, profitability, dividend policy and investment opportunity on the company value in Indonesia and Malaysia banking company year 2012-2016. The method using in this research is purposive sampling method. The dependent variable in this research is company value by proxy PBV. Independent variable in this research is leverage, profitability, dividend policy and investment opportunity. This research is taken by the financial report and annual report of 10 banking companies with a total observation as much as 28 companies. Data analysis was performed with the classical assumption and hypothesis testing with multiple linear regression method. The result of this study show that leverage does not affect significantly on the company value, while the profitability, dividend policy, and investment opportunity has a positive and significant effect on the company value.

Keywords: Leverage; Profitability; Dividend Policy; Investment Opportunity

1. INTRODUCTION

The establishment of company has purposes which are to achieve maximum profits, want to prosper the owner or shareholder and maximize the value of the company which is reflected in the stock price. Value of the company is the market value of the company stock between the buyer and the seller when the transaction occurs, because the market value of the company's stock as a reflection of the company's actual assets (Wahyudi and Hartini on Sadiani and Darmayanti, 2016). Development of the global economy as well as them regional economic strengthening trends, one of which is the European Economic Community, makes leaders of ASEAN countries speed up establishment of an ASEAN community called ASEAN Economic Community in 2015. Banking sector is one aspect that can hasten to compete in facing the ASEAN Economic Community (AEC). The Bank is an institution which received permission to mobilize funds from the public in the form of savings and channeling funds to the public in the form of a loan, so the bank serves as intermediary between savers and end users.

In preparing for the new era of ASEAN Economic Community recently, where the free trade doors of ASEAN countries and ASEAN communities are competing to get their customers, Indonesian companies are required to compete with ASEAN countries in order to achieve the goals the normative aim of the company is to maximize the value of the company that has gone public the value on the company value will be reflected in the share price of the company concerned in the capital market (Sudana,2011).

The ups and downs of stock prices in ASEAN capital markets are becoming an interesting phenomenon to be discussed at this time. The global economic crisis that occurred in 2008 resulted in a significant impact on the capital market in Indonesia and Malaysia as reflected by the decline in stock prices up to 40-60 percent from the initial position in 2008 (kompas.com, 2008). This phenomenon is caused by the action to release shares by foreign investors in need of liquidity and exacerbated by any domestic investors who also release shares in a rollicking. The condition is considered to affect the value of the company because the value of the company is reflected in the price of its shares.

In recent years, there have been cases in Indonesia related to the value of companies that local bank profits have slowed in recent years due to the country's economic slowdown, the Indonesian banking sector remains one of the most lucrative banking sectors in the world with an average 5% net profit margin (twice the average margin of Singapore and Malaysia). There is plenty of room for further growth given that banking penetration with the largest economy in Southeast Asia remains low. There are 118 active banks in Indonesia. The top 10 banks control about 60% of the country's total banking assets. Bloomberg News agency noted that shares of the 10 smallest financial institutions listed on the Indonesia Stock Exchange have risen 38% over the past 12 months compared with a 29% decline in the value of shares of the 10 largest financial institutions listed on the IDX as investors bet on deals such a merger.

In Malaysia the international fund exodus problem is a dramatic reversal from the first quarter of this year as money managers accumulate at the fastest pace in Southeast Asia, pushing the stock index to an eight-month high. The FTSE Bursa Malaysia KLCI index almost doubled from 2008 lows without surrendering to a 20 percent decline, making it the longest bull market worldwide. After gaining 7.9 percent from this year's low in January, the stock index has fallen 6 percent from the April peak. That pushed Malaysia's stock index lagging far behind in a rally by its growing counterparts in Southeast Asia even as lower valuations have created several offers. The phenomenon of the trials of stocks in Indonesia and Malaysia stock exchange is influence by several factors that can affect the rise and fall of the value of the company in the banking company itself. The factors are Leverage, Profitability, Dividend Policy and Investment Opportunity.

2. LITERATURE REVIEW

Company Value

The company value be defined as the views of investors about the company's level of success that is often associated with the company's stock price (Sudjoko and Soebiantoro 2007 in Hardiyanti, 2012). With the company's higher stock price will increase the value of the company and will also provide good prospects for investors towards future growth of the company. When investors already have good prospects for the company, then investors will replant their capital in the form of contained earnings in the company in the hoping to gain profit, so the company 11 has a set of investment opportunities and can conduct investment activities to increase the value of the company.

Leverage

Debt (leverage) is one tool that companies used to increase their capital to increase profits (Singapurwoko, 2011). This debt can come from banks or other financing. Companies that do too much financing with debt, considered unhealthy because it can reduce profits. Excess large debt will have a negative impact on corporate value (Ogolmagai, 2013) while research of Yuyetta (2009) states that leverage does not affect the value of the company. The research conducted by Fama (1978) supported by Cortez & Stevie (2012), Akinlo & Asaolu (2012), stated that the value of debt had a significant negative effect on firm value, and Mahendra, et al. (2012) states that leverage has a negative effect is not significant to the company value.

Profitability

Profitability is one of the company's performance measurements that show the company's ability to generate profit during certain period at certain level of sale, asset, and share capital (Yudiana and Yadnyana, 2016). According to Rizqia, et al. (2013) companies that can maintain stability and increase earnings can be seen as a positive signal by investors related to company performance. This happens because companies experiencing profits increase reflects that the company has a good performance, thus raising positive sentiment from investors and can make the company's stock price increased. Rising stock prices in the market means that the value of the company also increases in the eyes of investors. The results of research conducted by Mardiyati (2012), Setiabudi and Dian (2012), Rizqia et al., (2013) show that profitability positively influences company value.

Dividend Policy

The dividend policy relates to the company's policy of how much dividend should be distribute to shareholders and the resulting profits. The amount of dividend distributed will affect the stock price of a company. Companies that provide dividends and increase will provide a positive sentiment to investors. The results of research conducted by Dasilas et al. (2009), Afzal and Abdul (2012), and Mardiyati (2012) show that dividend policy influences company value.

Investment Opportunity

For companies that can not use investment opportunities will experience higher expenditure compared to the value of lost opportunities. Investment opportunity is a component of corporate value and results from options for making future investment decisions (Natalia, 2013). Companies with high investment opportunities are companies with bright prospects and will influence the company's stock price (Rizqia et al., 2013). Investment opportunities show the ability of firms to profit from growth prospects. The prospect of a company is an expectation desired by management and investors and creditors. Thus investment opportunities have a positive influence on firm value. Research conducted by Andriyani (2011), Rakhimsyah and Barbara (2011), and Rizqia et al. (2013) get evidence that investment opportunities have a significant positive effect on company value.

Hypothesis.

H1: Leverage has a negative significant impact on the company value.
H2: Profitability has a positive and Significant impact on the company value.
H3: Dividend Policy has a Positive and significant impact on the company value
H4: Investment Opportunity has a Positive and Significant impact on the company value.

3. RESEARCH METHOD

The approach used in this research is a quantitative approach. Measurements are made based on the financial statements and annual reports of banking companies listed on the Indonesia and Malaysia Stock Exchange and Osiris Database. The data taken in this research is Indonesian and Malaysian banking data from 2012 to 2016. The sample determination in this research is using the purposive sampling method. Data collection techniques in this reseach using documentation method. This Investigation to use variabel is:

Dependent
Company Value
The company value is the value of the market price of shares of the company between buyers and sellers when transactions occur, because the value of the company's stock market price as a reflection of the real assets of the company (Wahyudi and Hartini in Sadiani and Darmayanti, 2016).
Price Book Value (PBV)

$$\text{PBV} = \frac{Market\ price\ per\ share}{Book\ Value\ per\ share}$$

Independen
Leverage
Leverage is a description of a company in financing its assets using debt compared to using its own capital (Weston and Copeland, 1992). By using leverage the company can not only gain profits, but also can make the company get a loss, because the financial leverage means the company will incur risks to the shareholders so that will affect the stock return.

$$\text{Leverage} = \frac{Total\ amoun\ of\ debt}{Total\ Assets}$$

Profitability

Return On Equity (ROE)

Profitability is one measure for the performance of a company, the profitability of a company shows the ability of a company in generating profit during certain period at a certain level of sales, assets and capital stock. Profitability of a company can assess in various ways depending on the profits and assets or capital to be compared with each other. Return on equity or profitability is a measurement of the income or income available to the owner of the company for the capital they invest in the company.

$$\text{ROE} = \frac{Net\ Profit}{Equity}$$

Dividend Policy

Dividend Payout Ratio (DPR)

Dividend policy is a policy to share the profit to shareholders to distribute in the form of dividends and the amount of contained earnings for the needs of business development (Gitosudarmo and Basri, 2008). Dividend policy should be plan for the two basic objectives with due regard to maximizing shareholder wealth and sufficient financing. The two objectives are interconnected and must satisfy various legal, contractual, internal growth, owner-related and market-linking factors that limit policy alternatives

$$\text{DPR} = \frac{Dividend\ Per\ Share}{Earning\ per\ Share} \times 100\%$$

Investment Opportunity

The term Investment Opportunity set emerged after Myers (1977) views the value of the firm as a combined asset in place with future investment options. Investment choice is an opportunity to develop, but often companies can not always carry out all investment opportunities.

Price Earning Ratio (PER)

$$\text{PER} = \frac{Stock\ Price}{Earning\ per\ Share}$$

4. FINDINGS AND DISCUSSION

Multiple linear regression analysis is used to examine the factors that influence between the independent variables to the dependent variable where the independent variables in this study over one variable. The model of a multiple regression equation is: Table 1 Multiple Linear Regression Test Result

TABEL 1. MULTIPLE LINEAR REGRESSION RESULT

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-.343	.198		-1.730	.093
LEVERAGE	.264	.226	.160	1.169	.250
PROFITABILITY	.767	.168	.593	4.570	.000
DIVIDEND POLICY	.184	.053	.493	3.476	.001
INVESTMENT OPPORTUNITY	.007	.002	.616	4.314	.000

Based on table 1 above can be formulated multiple linear regression equation as follows:

$$\mathbf{PBV_{it} = -0.343 + 0.246Lev_{it-1} + 0.767ROE_{it-1} + 0.184DPR_{it-1} + 0.007PER_{it-1} + \epsilon i}$$

Information:

$PBVit$ = Price Book Value
$\beta_1 LEV_{it-1}$ = Leverage
$\beta_2 ROE_{it-1}$ =Profitability Proxy ROE
$\beta_3 DPR_{it-1}$ = Dividend Policy Proxy DPR
$\beta_4 PER_{it-1}$ = Investment Opportunity Proxy PER
ϵi = Error term
β_0 = Constanta

So that can be taken from the testing the hypothesis as follows:

TABLE 2 HYPOTHESIS TEST RESULT

Hypothesis	Question	Value	Explanation
H_1	Variable leverage has no significant effect on company value	1.169	H_1 : Rejected H_0 : Accepted
H_2	Variable profitability have significant effect to company value	4.570	H_1 : Accepted H_0 : Rejected
H_3	Variable dividend policy has significant effect to company value	3.476	H_1 : Accepted H_0 : Rejected
H_4	Variable investment opportunity significantly influence the value of the company	4.314	H_1 : Accepted H_0 : Rejected

The first hypothesis in this research is leverage has a significant negative effect on firm value. Based on the results of t test for leverage variables got a value of significance of 0.250 is greater than fault tolerance $\alpha = 0.05$. Therefore, the significant value of the leverage variable is greater than 0.05 and the positive regression coefficient is 1,169, this means the hypothesis that "leverage has a negative effect and significant to firm value" is rejected. Leverage is not able to affect the value of the company, the company that is too much to do with debt, is considered unhealthy because it can reduce profits and impact the decline in the value of a company. Excess leverage (leverage) is great will have a negative impact on the value of the company (Ogolmagai, 2013). The results of this study are similar to the research conducted by yuyetta (2009) states that leverage does not affect the value of the company. The research conducted by Fama (1978) supported by Cortez & Stevie (2012), Akinlo & Asaolu (2012), stated that the value of debt had a significant negative effect on firm value, and Mahendra, et al. (2012) states that leverage has a negative effect is not significant to the value of the company.

The second hypothesis in this research is profitability have a positive and significant effect to company value. Based on the result of partial test (t test) for profitability variable proxies with Return On Asset (ROA) got significance value equal to 0.000 smaller than fault tolerance $\alpha = 0.05$ and positive value regression coefficient equal to 4,570, this means hypothesis that "profitability have a negative and significant influence on firm value "is accepted. The results of this study indicate that high profitability reflects good financial performance. Good financial performance shows good company prospects so that investors will respond positively and good financial performance shows good company prospects so that investors will respond positively and company value will increase. Positive coefficients and positive significance show that high profitability will increase the value of the company. High profitability reflects the company's ability to generate profits over a certain period at the level of sales and increase profits for shareholders. It can show a good growth prospect, it will make investors respond positively to the signal and investors will catch the signal so it can trigger investors to increase demand for stocks and stock price increases and result in increased value of the company.The results of this study are similar to the results of research conducted by Mardiyati (2012), Setiabudi and Dian (2012), Rizqia et al., (2013) which shows that profitability has a positive and significant impact on firm value.

The third hypothesis in this research is dividend policy have a positive and significant effect to firm value. Based on the result of t test statistic for dividend policy variable proxy by Dividend Payout Ratio (DPR) got a significant value equal to 0.001 less than fault tolerance $\alpha = 0.05$. Therefore, the significance value is less than 0.05 and the positive regression coefficient is 3,476. This means the hypothesis that "dividend policy has a positive and significant effect on firm value" is accepted. The results of this study show that dividend policy contributes to corporate value.Coefficients with positive signals with a positive and significant significance mean that firms using dividend policy can affect the stock price of a company. Companies that share dividends and increase will provide a positive sentiment to investors, so it can affect the rise of a company's value.The results of this study are similar to the results of research conducted by Dasilas et al. (2009), Afzal and Abdul (2012), and Mardiyati (2012) showing that dividend policy positively influences company value.

Fourth hypothesis in this research is an investment opportunity have a positive and significant effect to company value. Based on the result of t test for investment opportunity variables proxies with Price Earning Ratio (PER) got a value of significance equal to 0.000 smaller than fault tolerance value α = 0.05. Therefore, the significance value of the investment opportunity is less than 0.05 and the regression coefficient is 4,314, this means the hypothesis that "investment opportunity has a positive and significant effect on firm value" is accepted. the results of this study indicate that investment opportunities have a direct relationship and have contributed to the increase of company value of a company especially in banking companies. Positive coefficients and positive significance show that high investment opportunities will increase the value of the company. Companies with high investment opportunities are companies with bright prospects and will positively influence the company's stock price (Rizqia et al., 2013). Investment opportunities show the ability of firms to profit from growth prospects. The prospect of a company is an expectation desired by management and investors and creditors. Thus investment opportunities have a positive influence on firm value. The results of this study are similar to the results of research conducted by Andriyani (2011), Rakhimsyah and Barbara (2011), and Rizqia et al. (2013) found evidence that investment opportunities have a significant positive effect on firm value.

5. CONCLUSION

This study aims to test and get empirical evidence regarding the influence of leverage, profitability, dividend policy and investment opportunities against corporate value. Based on the analysis and discussion that has been described before, the conclusion of this research is:

1. Leverage in proxies leverage does not have a positive and significant impact on corporate value.

2. Profitability variables as measured by Return on Asset (ROA) have a positive effect on corporate value.

3. Dividend Policy has a positive and significant influence on the value of the firm that is proxy to Price Book Value (PBV).

4. Investment Opportunity proxy Price Earning Ratio (PER) has a positive and significant influence on the value of the company that proxies Price Book Value (PBV).

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