THE ANALYSIS OF INTERNAL COMPANY FACTORS AND COMPANY VALUE

(Case Study on Manufacturing Companies Listed in Indonesia Stock Exchange from Period 2009 – 2011)

A THESIS

Presented as Partial Fulfillment of the Requirements to Obtain Bachelor Degree in Management Department

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DECLARATION OF AUTHENTICITY

Herein I declare the originality of this thesis; I have not presented anyone else's work to obtain my university degree, nor have I presented anyone else's words, ideas or expression without acknowledgement. All quotations are cited and listed in the bibliography of this thesis.

If in the future this statement is proven to be false, I am willing to accept any sanction complying with the determined regulation for its consequence.

Yogyakarta, May 22th, 2013



Dwija Ellan Nuari

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ABSTRACT

The purpose of this research is to examine some internal factors of companies that have influences toward company values. Those internal factors are dividend policy, capital structure, profitability and size. The proxy for each factor respectively is Dividend Payout Ratio, Debt to Equity Ratio, Return On Investment and the natural log of total asset.

The population of this research is all manufacturing companies listed in the Indonesia Stock Exchange during 2009 – 2011. The research sample that fulfill the requirement is 80 companies from the total 129 of manufacturing companies during 2009 – 2011. All of the data that are used to predict the influence of internal factors of the company toward company value were taken from the ICMD 2012.The research sample have passed the classical assumption test which consists of normality test, multicollinearity test, autocorrelation test and heteroscedasticity test. The research used multiple regression analysis using SPSS ver.20 then the value of f-test and the t-test were calculated.

The result shows that the dividend policy, profitability, capital structure and size all of them together have influence toward company value with the value of adjusted R^2 is 47,4% and partially only dividend policy has no influence toward company values its result supported the residual of dividend theory and the other three variables: capital structure has positive and significant influence toward company value it support the theory of tradittional approach of capital structure, profitability has positive and significant influence toward company value, the profit is goal of the financial manager therefore the profitability have the higher influence toward company value and size has positive and significant influence toward company value, the stable company is favorable for the investor because they can fulfill their obligation on time.

Keywords: company value, dividend policy, capital structure, profitability, size

ABSTRACT

Tujuan dari penelitian ini adalah untuk menganalisa beberapa faktor internal perusahaan yang mempunyai pengaruh terhadap nilai perusahaan. Faktor-faktor internal tersebut adalah dividend policy, capital structure, profitability dan size. Proksi yang digunakan untuk setiap faktor berturut-turut adalah Dividend Payout Ratio, Debt to Equity Ratio, Return On Equity dan natural log total aset.

Populasi dalam penelitian ini adalah semua perusahaan manufaktur yang terdaftar di bursa efek Indonesia selama tahun 2009 – 2011. Sampel untuk penelitian yang memenuhi persyaratan adalah 80 perusahaan dari 129 perusahaan manufaktur. Semua data yang digunakan untuk memprediksi pengaruh faktor-faktor internal perusahaan terhadap nilai perusahaan diambil langsung dari Indonesian Capital Market Directory (ICMD) tahun 2012. Sampel penelitian telah lolos uji asumsi klasik yang terdiri dari uji normalitas, uji multikolinieritas, uji autokorelasi dan uji heteroskedastisitas. Dalam penelitian ini menggunakan analisis regresi berganda menggunakan software SPSS ver.20 yang selanjutnya menghitung nilai F-test dan T-test.

Hasil penelitian menunjukan bahwa dividend policy, profitability, capital structure dan size secara bersama-sama mempunyai pengaruh terhadap nilai perusahaan dengan nilai *adjusted* R^2 47.4% dan secara individu hanya dividend policy yang tidak mempunyai pengaruh terhadap nilai perusahaan hasil penelitian ini didukung teori *residual dividend* dan tiga variabel bebas lainnya yaitu, capital structure mempunyai pengaruh positif terhadap nilai perusahaan temuan ini mendukung teori traditional approach tentang capital structure, profitability mempunyai pengaruh positif terhadap nilai perusahaan, profit merupakaan tujuan dari manager keuangan oleh karena itu profitability mempunyai pengaruh yang paling kuat diantara variable lainnya dalam mempengaruhi nilai perusahaan. Dan size mempunyai pengaruh positif terhadap nilai perusahaan, perusahaan yang stabil sangan diminati oleh investor karena perusahaan tersebut dapat memenuhi kewajiban mereka tepat waktu.

Kata kunci : nilai perusahaan, dividend policy, capital structure, profitability, size

CHAPTER I

INTRODUCTION

1.1. Research Background

The improvement of economic condition in Indonesia make many new investor take an opportunity to get profit from capital market.Furthermore, investing in capital market has higher yield than investing in deposit account. In addition, the adoption of online trading system and the merge between Bursa Efek Surabaya and Bursa Efek Jakarta in 2007 has escalated the number of transaction and given the simplicity to the investors to make transaction. From 2007 – 2011 Jakarta Composite Index (JCI) had significant improvement from year to year. In 2007 the position of JCI was 2745,83 and in 2011 the JCI became 3821,92. The escalation of JCI was also followed by the increase of Emiten from 383 in 2007 to 440 in 2011, with the value of transaction up to 1.223.441 billion rupiah in 2011 slightly increasing from 1.050.154 in 2007 (OTDA news, 2012)

Although investing in capital market is promising with the higher return, the investors should consider the risk that follows the return because investing in capital market especially stock has higher uncertainty or risk because the stock price fluctuates over the time caused by many factors of inflation, trading volume and exchange rate of rupiah (Hugida, 2011). Therefore, the strategy to diversify the portfolio is important for the investor to maximize the profit from stock or other investment products.

Beside the external factors, the internal factors that come from the company also influence the stock price. The company news and announcement have the impact to the stock price and the main factor that influence the stock price isthe performance of the company itself. Listed companies in stock market which show positive record such as persistent growth, stable income, good management and regular payment of dividend, are more likely to have higher demand of share that consequently will increase the stock price.

The main goal of the company is to maximize the shareholder wealth through increasing the value of the company that is reflected in the price of stock (Pakpakhan, 2010). From the statement above it can be concluded that the higher price of stock reflects the wealth of the shareholder. Therefore the higher price of stock indicates that the performance of the company is good and it can increase the wealth of the shareholder. The yield for the investor can be in the form of dividend and the capital gain.

The stock price is one of the important factors that the investor must consider in doing the investment activity because the stock price reflects the performance of the listed company in the stock market. The movement of the stock price will align with the performance of the company. If the performance of the company increases, the return that can be obtained by the company will get bigger. In that condition the stock price of the company has the tendency to increase.

The stock price also reflects the company's value; therefore maximizing company's value is also the effort to maximize the wealth of the shareholder. And if the company's value decreases, it can be said that the wealth of the shareholder will be wiped off. In short, that condition is not favorable for the investor. Therefore, before putting their capital into stock market, the investor will do analysis to seek the stock with good company's value in order to their investment will grow and give desired expected return.

To analyze a listed company in stock market, the investors can use a technical analysis or fundamental analysis. In technical analysis, the investors use the pattern movement of the stock price from the historical data. The fundamental analysis is the measurement of company performance using financial data of the company. Fundamental analysis is used to measure whether the price of stock is considered as being undervalued or overvalued.

The price of stock is considered as being undervalued if the book value is above the market value. This stock should be collected or be retained by investors if the investors have already had it because the probability of the stock to increase in the future is promising. The stock is overvalued if the book value is below the market value. This kind of stock should be avoided by the investors. If the investors have already had it or they want to get profit from capital gain, they should immediately sell it before the price goes down and make the capital gain is not maximum. Some variables are used to help investors in analyzing the performance of the company that can be also refered to as the internal factors of

the company such asthe size of the company, the capital structure, the ability of the company to pay dividend and the profitability of the company.

The ability of the company to pay dividend is included in the dividend policy. The company who pays the dividend to the shareholder must consider the live of the company whether the whole earning will be distributed or just the portion of the earning. If the portion of the earning is distributed to shareholders in form of dividend, the company should determine the ratio of dividend payment. The rest of the earning is called as the retained earnings in general meeting of shareholder. In addition, the retained earnings will be used to expand the company whether to be invested into asset in the company or in form of stock.

The size of the company will influence the ability of the company to find the source of fund. The bigger the size of the company, the easier to find the source of fund to finance its daily activity. As a result, the company can expand their company fast than other companies.

The ultimate goal of the company is profitability or get the maximum profit. Therefore, if the company can generate profit higher with little investment, equity or asset, it becomes the target of the investor to invest their money into its stocks.

The capital structure is about how the manager in the company manage their source of fund in effective and efficient ways to finance their daily activity so that they can optimize the value of the company reflected in the stock price.

The price book value (PBV) as the model valuation has been used by many investors as an assessment tool or the investment analysis to measure the

company's value. Damodaran (1996) stated that the PBV ratio is useful in investment analysis because it provides relatively stable, intuitive measure of value which can be compared to the market price. The PBV provides a stable value and the measure of the value can be compared to the market price. Therefore, it has the ability to give simple benchmark to the investors for comparison. The PBV ratio can be compared across similar firm so that the investors can get the signs of undervaluation or overvaluation between one company and another. The other advantage of the PBV is the ability to value the firm with negative earning while it cannot be valued using price earnings ratio. In other words, this problem can be overcome by using the PBV.

There are several weaknesses of PBV ratio (Damodaran, 1996).First, book value is affected by accounting decision on depreciation and other variables. When accounting standard varies widely across firms, the PBV ratios may not be comparable across them.Secondly, book value may not carry much meaning for service firms that do not have significant fixed asset.Third, the book value of equity can become negative if a firm has a sustained string of negative earnings reports, leading to negative PBV ratio.

Another method to measure the company value is by using Tobin's Q ratio. Tobin's Q is *replacement cost* from cost that needed to get the asset exactly the same with the asset that owned by the firm (Widjaja and Magviroh, 2011). This ratio's name is similar to its inventor-- James Tobin (1969). If Tobin's Q is below 1, then the firm will become interesting target of acquisition to merge with other firms or to be liquidated. It means that the acquirer firm get the asset with lower

price compared to the condition where the asset is re-sold. If Tobin's Q is above 1 or higher, it indicates that the firm has high potential to grow, therefore the firm value is more than the firm asset. According to Smithers and Wright (2008) the advantages of Tobin's Q are that it reflects the whole asset of the firm, the market sentiments, for example the analysis is looked at firm's prospect or speculation, the firm's intellectual capital, and can handle the problem in predicting the rate of return or marginal cost.

The weaknesses of Tobin's q is lack in measuring the market power (the ability of the company to influence price with the same market share) that's consist of replacement cost (cost that used to replace the asset in present time), the expense for advertisement and the cost for RND to create intangible asset. In this research the writer will use only the PBV as the proxy to measure the company value to keep the objective of the study on the right tracks.

By assessing the company's value using the PBV as the proxy,the data to measure condition of the company is more reliable by using PBV. Because the book value of an asset reflects it original cost, the market value of an asset reflects its earning power and expected cash flows.(Agrawal, 1996) stated that the newly established firm have equal value to investment made by the owners. The market value of the company is formed when the company's share is traded and takes a shape because the business shows good signs of long term returns. But the book value does relatively not change at the amount of original investment added with reinvestment from undistributed profits. The difference between the market value

of an asset and the book value of asset is from the ratio of the market price's share and the book of value.

1.2. Problem Identification

This research is conducted to reexamine the influence of internal factors of the company to the company's value. In this research the internal factors of the company as the research variable are *dividend policy, capital structure, profitability and size.*Theoretically the company has good values if the performance is also good. The value of company is reflected in its stock price therefore when the company has high price of stock, it means that the value of the company is good.

Based on explanation above so the problem that will be analyzed in the research are:

1. How does *dividend policy* influence the company's value?
2. How does *capital structure* influence the company's value?
3. How does *profitability* influence the company's value?
4. How does *size* influence the company's value?

1.3. Research Objective

The research objective contains the result that the researcher wants to achieve through research process. And the research objectives also answer the problem identification which reflects the scope of the research. From the

problem identification that has been explained above the objectives of the research are:

1. To analyze empirically the influence of *dividend policy* toward *company's value*
2. To analyze empirically the influence of *capital structure* toward the *company's value*
3. To analyze empirically the influence of *profitability* toward the *company's value*
4. To analyze empirically the influence of *Size*toward the *company's value*

1.4. Research Contribution

The benefits of this research are as follow:

1. to give the information to the management about the compulsory variable such as dividend policy, capital structure, profitability and Size toward the *company's value* and its effect on *company's value*
2. For the academic and next researcher, it gives deeper knowledge about the influence of independent variables such as dividend policy, capital structure, profitability and size toward *company's value* and also can give useful information for the next research regarding *company's values*
3. For the writer itself, the research is to enhance the knowledge and also for the requirement to take the undergraduate degree.

CHAPTER II

LITERATURE REVIEW

2.1. Company Value

Company value is certain condition achieved by the company as the broad picture of the society trustworthiness toward the company since the company was established until the present. The increase of the company value is an achievement appropriate with the will of the owner or the shareholder because with the increaseof company values, the prosperity of the owner or the shareholder will increase.

Company value is very important because it gives higher welfare of the shareholder. (Pakpakhan, 2010) the higher the company value, the greater the prosperity that will be received by the owner of the company. The high company value becomes the target of the company owner, because with the high company value represent the welfare of the shareholder is also high. The wealth of the shareholder and the companies are presented by the stock price in the stock market.

Basically the purpose of financial management is to maximize the wealth of the shareholder through increasing the stock price. It means that increasing the stock price is the implication of increasing the company value. It can be said that the purpose of the financial management is also to increase the company value. But to achieve those objectives, the conflict between the owners of the company with the provider of funds as the creditor might occur. If the company runs well,

then the company value will escalate while the debt of the company in form of bond is not affected at all. It can be concluded that the value of stock is appropriate index to measure the effectiveness level of the company. Based on the explanation above, then the objective of the financial management is stated to maximizethe stock price. The goal to increase the stock price can be done without sacrificing the benefit of the bond holder.

2.2. The External Factors That Influence the Company Value

According to Blume (1982) the changes in stock prices that occur in the capital markets fluctuate periodically fast will be strongly influenced by many factors both external company factors and internal company factors. The external company factor is the factors that come from the outside of the company but it influences the company performance. According to Rudianto and Sutawidjaya (2012) the macroeconomic condition is the external factor that influences the company value.

The research conducted by Rudianto and Sutawidjaya (2012) regards the external and internal factors that influence the company values. In their research,the external company factors that influence the company values are interest rate, exchange rate and rate of inflation. The external company factors have low relationship with PBV as the proxy to company values. Partially or simultaneously the external factors have no significant association with PBV.

According to Boediono (1995) in Noreirawan (2012) inflation is the tendency of the price to escalate and will happen continuously. The Inflation

become problem if many common good prices escalate and decrease the purchasing power of the society. When the purchasing power of society decreases the economic activity slows down because the economic activity is supported by the buying and selling activity. If there is no buyer, there isno income for the seller. The inflation that happen in a country will affect the currency of that country.

Exchange rate can be described as the value of foreign currency expressed in the value of domestic currency (Madura, 1995). Therefore, the exchange rate refers to which exchange rate should be determined by the strength of demand and supply. Because the demand and supply of goods and services involve at least two foreign currencies, the relative price of the exchange rate relates with the demand and supply of currencies. According Rudianto and Sutawijaya (2012) the strengthening of domestic currency against foreign currencies is a green light for the economy inflation.

The definition of Interest rate is the price of money utilization for certain period of time or the price from the utilization of money in the present and will be payback in the future (Herman 2003 in Noerirawan 2012). When the interest is too high, it will attract the investor to do investment opportunities. High interest rate means profit and the investment activity will increase and high profit will always be the goal of the investor. The interventions of the government policies affect interest rate especially because of the tight money policy and expansionary monetary policy. The monetary policies will cause the low supply of money and increase the interest rate and vice versa.

2.3. The Internal Factor That Influence the Company Value

The internal factors influencing the company value can come from two sources: the policy decided by the company and the profitability or the ability of the company to generate profit.The policy is the strategic course of action decided by the manager in the company in order to achieve their goals. The policy in this case is regarding the financial policy such as dividend policy and the capital structure. In the dividend policy, the company has the right whether to distribute the portion of earning for the shareholder or to just keep it as the retain earning. The capital structure is about the proportion of debt that the company should use to keep the companies operating. Those two policies are applied differently from one company to another because each company has different financial condition.

The second source comes from the profitability which is the ability of the company to generate profit. The profitability is the important thing for the investors because the higher the profitability, the higher the profit. Therefore, profitable company will become the target for the investors to collect its stocks. The fluctuation of stock price caused by the buying and selling activity in the stock market will determine the quality of the company.

The fundamental analysis is influenced by the performance of the company itself. If the company's performance trend is positive, the expected price of its stock will move in the same direction and offer a higher price and vice versa (if the company's performance trend is negative, the expected return of the stock decreases.Indicators that can be used to demonstrate the performance of the

company that are often referred to as the internal factor can be measured by the ratio analysis.

2.3.1. Dividend Policy And Company Value

Devidend is a distribution of a portion of a company's earning, decided by the board of director to a class of its shareholder. The dividend is most often quoted in terms of the dollar amount each share receives (dividend per share). It can also be quoted in terms of a percent of the current market price referred as dividend yield (investopedia).

According to Van Home and Wachowich (1998), some of the investor tend to choose dividend than the return on equity. The dividend payment can eliminate the hesitancy of the investor. The yield of the dividend is fixed meaning that the investor will get the earning from the company while the portion of earning distributed to the investor depends on the decision of the board of director. Therefore, to invest in the company that gives the dividend to their shareholder can eliminate the wavering of the investor because they will surely get the dividend.

In determining the size of dividend that will be distributed to the shareholder, the company will set dividend payout ratio based on the calculation of the earning after tax. The dividend payout ratio form of the dividend per share is divided by the earning per share. These ratios show the percentage earning of the company that is distributed to the shareholder in form of cash. In dividend per share there is the dividend factor, so the higher

the dividend distributed to the shareholder, the higher the dividend payout ratio.

Dividend is the right for the common shareholder to get the portion of earning generated by the company. If the company decides to distribute the dividend, all of the common shareholder get the same rights. The distributed dividend for common shareholders can be done after the company pays the dividend for the preferred stock holder.

2.3.2. Capital Structure And Company Value

According to van Horne and Wachowicz (1995), capital structure is the proportion of long term financing showed by debt, preferred stock and common stock equity. Basically the financing decision of the company relates with the determination of the source of fund for the company. There are two sources of fund for a company: the external source of fund and internal source of fund. The company conducts the internal financing if the company uses the source of fund from the internal side of the company in the form of retained earnings. Meanwhile a company conducts external financing when the company uses the source of fund from outside of the company. The external financing divided includes debt financing and equity financing. The debt financing the source of fund comes from debt and equity financing comes from the issuing of the stock.

There are 2 theories regarding the capital structure (Van Horne and Wachowicz, 1998):

a. Net operating income approach

It is a theory regarding capital structure in which the weighted average cost of capital and the total value of the firm remain constant as financial leverage is changed. With this approach, net operating income is capitalized at the firm's overall capitalization rate to obtain the total market value of the firm. The market value of the debt is then deducted from the total market value to obtain the market value of common stock. With this approach the overall capitalization rate, as well as the cost of debts funds stays the same regardless of the financial leverage employed. However, the required return on equity increase linearly with financial leverage measured as market value of debt / market value of stock.

b. Traditional approach

In the traditional approach to capital structure, the theory states that there exists an optimal capital structure and management can increase the total value of the firm through the judicious use of financial leverage. The optimal capital structure is the capital structure that minimizes the firm's cost of capital and thereby maximizes the value of the firm (Van Horne and Wachowicz, 1998). This approach suggests that the firm can initially lower its cost of capital and raise its total value through increasing leverage. Therefore, in this traditional approach to capital structure, it implies that the cost of capital is dependent on the capital structure of the firm and there is the optimal capital structure.

Another theory is stated by Modigliani and Miller in Van Horne and Wachowicz, 1998. They advocate the relationship between financial leverage and the cost of capital which is explained by the net operating income approach. Regarding their approach, the firm's overall capitalization remains constant throughout the entire range of financial leverage possibilities.

2.3.3. Profitability And Company Value

Profitability is the main goal for the company, without profit the company will not survive for the long term. The profitability of the company comes from sales activity and investment activity. Therefore, in analyzing the profit generated by the company, some ratios are used such as profitability ratio. The profitability ratio is ratio that relates profits to sales and investment. Profitability ratios are of two types: those showing profitability in relation to sales and those showing profitability in relation to investment. Together, these ratios indicate the firm's overall effectiveness of operation (Van Horne and Wachowicz, 1998).

2.3.4. Size And Company Value

Big companies have more ability to access capital market than the small company. The easiness to access the capital market means that the company has flexibility and capability to get desired fund (Brigham and Houston, 2001). The firm size has different influence toward company value. In this case the firm size is looked from the total asset owned by the company

to support its operational activity. If the company has higher total asset, they have more flexibility to allocate the asset in the company. According to Suharli (2006), looking at the managerial side of the easiness to allocate the asset in controlling the company can increase the company value.

2.4. Previous Research

(Rudianto and Sutawidjaya, 2012) conducted a research on PBV as the measure of corporate value and found that the internal factors of the company have greater influence than the external factors of the company to the PBV. Moreover, this research also discusses the internal factors of company that affect the PBV comprising of ROI (Return on Investment), DPS (Dividend Per Share) and EPS (Earning Per Share). The result of the research is that the entire internal factor as variable have the positive relationship with PBV with the DPS as the most sensitive influence on PBV.

Another research toward PBV was also conducted by Hutama and Santoso (1998) on 128 listed companies in Jakarta stock exchange in 1995. The research proves that the PBV can be used in determining the investment strategy because by using PBV ratio, investors can predict which stock are undervalued or overvalued so they can gain significant return. This research also analyzes the fundamental factors that affect PBV which consist of ROE, growth prospect, risk level and dividend policy. The result confirms that only ROE (Return On Equity) which has positive correlation with PBV consistently and significantly.

Sparta (2000) conducted the research to analyze the influence of ROA (return on asset), DER (debt equity to Ratio) and DPR (dividend payout ratio) to PBV on financial institution at Indonesia stock exchange in 1992 – 1996. The research finds out that the financing decision and the payment of dividend have no meaning for the investors to buy stock of banking sector. Therefore, the stock of banking sector is very attractive to be collectible not because of the admission of dividend but because of the capital gain (the return from the increasing of the stock). The conclusion gives the broad picture that the development of price reflected by the PBV and ROA is the important variable in analyzing the stock at Indonesia stock exchange.

Tito, Chabacchib, et al (2007) conducted research on the influence of financial performance (ROA,DER, EPS, DPR) and the beta to the price to book value (PBV) in real estate and property sector in Indonesia stock exchange. From the research, it can be seen that the fundamental factor in company especially DER and EPS is used by the investor to predict the PBV. This conclusion strengthens the previous research regarding DER and EPS included in regression model to predict PBV.

Wirawati (2008) studied the influence of fundamental factor to the PBV in valuing the stock in bursa efek Jakarta. The research examined the relationship between price to book value and fundamental factors such as return on equity (ROE), dividend payout ratio (DPR), growth, degree financial leverage. The results of this research find that variable return on equity, dividend payout ratio, and growth has significant impact on price to book value whereas degree financial

leverage is not found. The research also found significant relationship between price to book value prediction and stock return significant.

Pakpakhan (2010) conducted research about the influence of fundamental factor company and the dividend policy toward company value. The independent variables that she chose are the firm size, growth, leverage, return on equity (ROE) and dividend payout ratio (DPR). The dependent variable as the proxy of company value is price to book value (PBV). The result of the research shows that the size and ROE are significant while growth, dividend payout ratio (DPR) and leverage have no significant influence toward PBV. It can be concluded that the research from Pakpakhan shows just size and ROE that have significant influence to PBV as the proxy for company value. In contrast, growth, leverage and DPR have no significant influence to company values.

Suharli (2006) conducted research about the factors that influence the company value of go public company in Indonesia from the period 2002 - 2003. The independent variables that are used are age of the company, size, profitability and foreign capital investment. The result of the research is that in 2002 only the age of the company that influenced the company value. And in 2003 the size of the company was the only factor that influenced the company values.

From the explanation of the previous research above, the most significant influence to PBV as the proxy to company value is Dividend Per Share (DPS) in the research of Rudianto and Sutawidjaya (2012); Return On Equity (ROE) in the research of Hutama and Santoso (1998); Return On Asset (ROA) in the research of Sparta (2000); Debt To Equity Ratio (DER) and Earning Per Share (EPS) in the

research of Tito and Chababib et al (2007); ROE, DPR and Growth in the research by Wirawati (2008); ROE and Size in the research by Pakpakhan (2010).

From various factors above, all of them have significant influence toward PBV but similar factors have different degree of significant toward PBV conducted by different researchers. The research conducted byWirawati (2008), for example, shows that ROE and DPR have significant influence toward PBV. Similarly, in the research conducted by Pakpakhan (2010), DPR has no significant influence toward PBV. The different opinions from two researchers are interesting to be investigated in this research particularly the use the DPR as the independent variable.

The Return On Equity (ROE) is the ratio to measure the probability of the company. Many researchers on previous research used this ratio to analysis its influence toward PBV such as research conducted by Wirawati (2008), Pakpakhan (2010) and Hutama (1998). All of them include ROE as the independent variable. In addition, all of them have similar result that ROE givessignificant influence toward PBV. For this research, the ROE will be excluded and another profitability ratio which is ROI is included since the ROI is rarely used by the researcher to measure its influence toward PBV. In previous research only Rudianto and Sutawidjaya (2012) used this ratio to measure its influence toward PBV as the proxy for company value. The result shows that it gives lower influence to the PBV than the DPS.

The DER shows the level of debt that the company has. When the company has high debt, the company has high interest expense. Even though the interest

expense increase, the company can increase profit from the outside source financing. It means that the company has boosted its performance to generate profit through increasing debt. The influence of DER toward company value by using PBV as the proxy was conducted by Tito and Chabachib (2007). Their research shows that the DER for the real estate industry listed in Indonesia Stock Exchange haspositive influence to the PBV as the proxy for company's value. Another conclusion regarding the influence of DER toward PBV comes from Sparta (2000). In his research, it is stated that financing decision and the payment of dividend have no meaning for the investors to buy stock of banking sectors. Therefore the reason why the stock of banking sector is very attractive to be collectible is not because of the admission of dividend but because of the capital gain (the return from the increasing of the stock).

2.5. Hypothesis Development

2.5.1. The Influence of *Dividend Policy* Toward Company Value

The dividend gives the information regarding the profitability of the company. Furthermore, the dividend payment will increase the confidence that the company will generate the profit. It suits with the signaling theory that good quality company will deliberately give the signal to the market and the market hopefully will respond to it and can differentiate between good or bad qualified companies. The increasing dividend will give positive influence toward the stock price and in the end it will give positive influence toward company values (Van Horne and

Wachowicz, 1998). This statement is supported by Wirawati (2008) that shows dividend policy by using dividend payout ratio (DPR) as the proxy of dividend policy which has positive influence toward company value. However,it is not supported by Pakpakhan (2010) and Tito &Chabachib (2007) stating that dividend policy has negative influence toward company values.

H1: dividend policy has positive influence toward company values

2.5.2. The Influence of *Capital Structure* Toward Company Value

The capital structure shows the mix of a firm's permanent long-term financing represented by debt, preferred stock and common stock equity (Van Horne and Wachowicz, 1998). It can be said that the capital structure also shows the level of debt that the company has. When the company has high debt, it means that the company has high interest expense. Even though the interest expense increase, the company can increase profit from the outside source financing. It means that the company has boosted their performance to generate profit through increasing debt. The influence of capital structure by using debt to equity ratio as the proxy was conducted by Tito and Chabachib (2007). Their research shows that the capital structure for the real estate industry listed in Indonesia Stock Exchange has positive influence to the company's values.

H2: capital structure has positive influence to price to book value

2.5.3. The Influence of *profitability* Toward Company Value

The profitability is the main goal for the company because the purpose of the company and investment is to generate the profit and values. Therefore, the ultimate goal of the company is to achieve the higher profit. Consequently, a company with higher profitability will become the target of investors who have higher expected return in the future. The action of the investor then will increase the price of stock and the company value. Dudi and Achmad (2012) also find that the profitability by using ROI as the proxy has positive relationship toward company value. The research that uses ROI as the proxy of profitability to measure the company value is still rare.

H3: Profitability has positive influence to price to book value

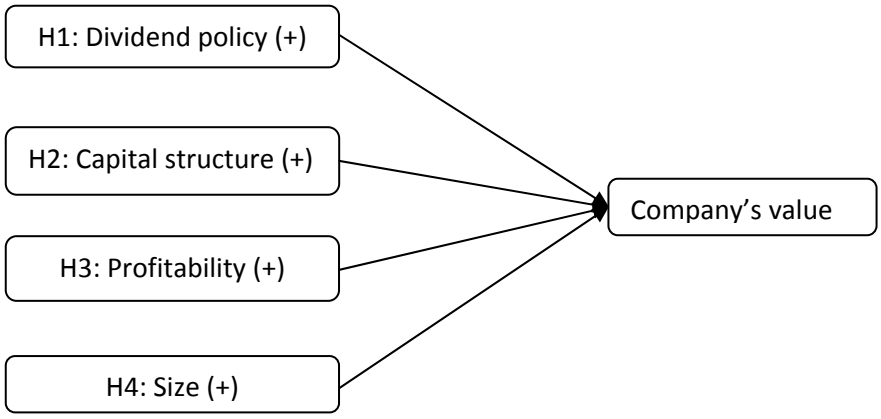
2.5.4. The Influence of *Size* Toward Company Value

Big companies have more access to the capital market meaning that the companies have flexibility and ability to generate bigger fund. Therefore, investors regard this condition as a positive signal and good prospect in the future. In other words, size can give positive influence toward company value. This statement is supported by Pakpakhan (2010) and Suharli (2006) stating that the Size of the firm gives positive influence toward company value.

H4 : Size has positive influence to price to book value

Based on explanation above, the mind frame for the research can be described by the picture below:

Picture of hypothesis development
The influence of internal factor company (dividend policy, capital structure, profitability and size) to the company's value



CHAPTER III

RESEARCH METHOD

3.1. Population and sample

Population is the entire member of the object which will be analyzed (Algifari, 2003). The population of the research is the entire manufacture company listed in Indonesia stock exchange compatible with the publication of Indonesian Capital Market Directory (ICMD) for year 2009 – 2011.Whereas the sample is the part or quotation from object that being analyzed. The sampling method use in this research is purposive sampling. The characteristics of the sampling are:

The manufacture company listed in Indonesia stock exchange that issued the complete financial report for the period of time 2009 – 2011 in ICMD 2012. The reason is to make sure that the research variable for analysis exists.

The number of manufacturing company listed in Indonesia stock exchange for 2009 – 2011 periods is 129 companies. From the total population of manufacturing company, there are 80 companies that fulfill the research requirement as the research sample because the research uses 3 year period of time. Overall, the number of the data is 240.

3.2. Source of Data

The data used in this research is secondary data. Secondary data are record or historical report that have been prepared orderly in files which can be published for free or not published (Idrantoro and Supomo, 1999). The secondary data used

in this research are in the form of dividend payout ratio (DPR), return on investment (ROI), debt to equity ratio (DER), return on investment (ROI) and price to book value (PBV). Whereas the source of data come from the financial report of manufacture company listed in Indonesia stock exchange for periods 2009, 2010 and 2011. Their data were published in ICMD (Indonesian Capital Market Directory) and in Indonesia Stock Exchange on the website www.idx.com

3.3. Data Collection Method

The data collection methods used in this research isdocumentation method by gathering, recording, and assesing the secondary data in the form of financial report from manufacture company listed in Indonesia stock exchange published by ECFIN in form of Indonesian Capital Market Directory (ICMD) for the period 2009 – 2011.

3.4. Research Variable and Operational Definiton

The independent variable is the variable which the value is not depending by other variable (Algifari, 2000). The independent variables for this research are:

3.4.1. Dividend Policy

The dividend policy in this research relate with the policy of the company regarding the percentage of the profit that distributed as dividend for the shareholder. The dividend policy in this research is proxied by dividend payout ratio (DPR). The dividend payout ratio form of the dividend

per share is divided by the earning per share. These ratios show the percentage of earning of the company that is distributed to the shareholder in the form of cash. In dividend per share, there are the dividend factors, so the higher the dividend distributed to the shareholders, the higher the dividend payout ratio (investopedia.com). The DPR ratio of manufacturing industry for this research obtained the data directly from the ICMD 2012.

3.4.2. Capital Structure

The scope of the capital structure is about how the manager manages the financial activity optimally ranging from gathering the efficient source of fund to combining the source of fund effectively and efficiently to achieve optimal capital structure. The capital structure in this research is proxied by the debt to equity ratio (DER). Debt to equity ratio is the proportion between the long term debts with the total equity (Brigham and Houston, 2001). The scale used in DER isratio. The higher the ratio of DER, the higher the utilization of debt ofthe company compared with the utilization of the equity. The data of DER ratio of manufacturing industry for this research is obtained directly from the ICMD 2012

3.4.3. Profitability

Profitability is the ability of the company to generate profit from sales and investment activity. To analyze the influence of profitability onthe company, the return on investment is used as the profitability proxy.

According to Van Horne and Wachowicz, the ratio of ROI is resulted from the net profit after tax divided by the total asset. The ROI ratio of manufacturing industry for this research takes the data directly from the ICMD 2012

3.4.4. Size

The size of the firm is the measurement of how small or big the company is. The size of the company is measured usingthe value of natural logarithm from the total asset. According to Chen and Steiner (1999) in Pakpakhan (2010) the calculation of size is resulted from the natual logarithm of the total asset. The information regarding the total assets of the manufacturing company is taken directly from the ICMD 2012.

3.4.5. Company Value

A dependent variable is the variable on which the value is depending (Algifari, 2000). The dependent variable for this research is company value. The company value is reflected in the price to book value.Therefore, in this research PBV is used to measure the financial performance of the company. (Damodaran, 1996) stated that the PBV ratio is useful in investment analysis because it provides relatively stable, intuitive measure of value which can be compared to the market price. PBV is the ratio between the prices of each share with the price book of each share. BVS is calculated by dividing the total shareholder equity with the sum of

outstanding share. The PBV ratio of manufacturing industry for this research takes the data directly from the ICMD 2012 and the date of the PBV calculated in ICMD 2012 is every end of the year or every 31 December on each year.

3.5. Classical Assumptions Test

To achieve the purpose of the research, the data that have been gathered areanalyzed using the multiple regression method obtained from Ordinary Least Square (OLS) that generate Best Linear Unbias Estimator / BLUE (Algifari, 2000). To achieve those conditions, a classical assumption test was conducted first. The classical assumption test conducted as follow:

3.5.1. Normality Test

The purpose of the normality test is to test whether in the regression model, both independent variable and dependent variable have normal distribution or not. The regression model is considered good if the distribution of data is normal or close to normal. To know whether the distribution of data is normal or not, the graphical analysis is conducted by looking at the histogram graphic which compare the observation data with the distribution that close to normal. Even though only the histogram is used, misleading result may emerge if the number of sample is relatively low. The other method to identify the normality distribution of data is the use of Kolmogorof-Smirnov test (Ghozali, 2001)

3.5.2. Multicollinerity Test

The purpose of multicollinearity test is to test whether the regression model has the correlation between the independent variable. The good regression model should not have correlation between the independent variable. If the independent variable has correlation with each other, it means that those variables are not *orthogonal.* The orthogonal variable is the independent variable where the value of the correlation between independent variable is equal to zero (Ghozali, 2001)

3.5.3. Autocorrelation Test

The purpose of autocorrelation test is to test whether in a linier regression model there iscorrelation between errors bullies on t period with the error on period t-1. If the correlations exist, then it can be concluded that the autocorrelation problem exists. The autocorrelation occurs because the observation which is sequentially over time related to one another. This problem occurs because the residual is not free from one observation to other observation. The regression model is considered to be good when it is free from autocorrelation. One of the methods that can be used to detect the autocorrelation is Durbin-watson test (Ghozali, 2001)

3.5.4. Heteroscedasticity Test

The purpose of heteroscedasticity test is to identify whether in the regression model inequality of variance from one observation residual to another observation exists. If the variance of one observation residual to another observation is constant, it is called as homoscedasticity. If the variance of one observation residual to another observation is different, this condition is called as heteroscedasticity. The good regression models are homoscedasticity or the heteroscedasticity does not occur (Gozali, 2001)

3.6. Hypothesis Testing

The hypothesis testing in this research consists of multiple regression model, determinant coefficient, and F-test. The hypothesis testing using T-test is conducted to measure the relationship between independent variable and dependent variable.

3.6.1. Multiple Regression Model

The purpose of regression analysis is to analyze the influence and the relation of independent variable (more than two variable) to the dependent variable using the multiple linear regression methods with ordinary least square method. The core method of OLS is to estimate a regression line through minimizingthe number of error quadratic on each observation to regression line. The regression model for this research is:

$$CV_i = \alpha + \beta_1 DP_i + \beta_2 CP_i + \beta_3 P_i + \beta_4 S_i + e$$

Where: CV = Company value

DP = Dividend Policy

CP = Capital Structure

P = Profitability

S = Size

α = Constanta

$\beta 1 - \beta 4$ = parameter coefficient

e = disturbance's error

3.6.2. F-Test

The purpose of F-test is to analyze whether all of the independent variables in the multiple regression model have simultaneous influence toward dependent variables (Ghozali. 2001). If the value of F is more than 4 with 5% degree of confident so the H0 is rejected and the alternate hypothesis stating that all of the independent variable simultaneously that influences the dependent variable is accepted.

3.6.3. Determinant Coefficient (R^2)

The R^2 is to measure the ability of the model to explain the dependent variable variation. The value of determinant coefficient is between zero to one. The small value of R^2 means that the ability of the dependent variable is limited. The value close to one means that the independent

variable almost gives all the information needed to predict the dependent variable variation. (Gozhali, 2001).

3.6.4. T-Test

The t-test is basically used to show how far the influence of one independent variable in explaining the variation of dependent variable. The zero hypothesis (H0) that will be tested is whether a parameter (βi) is equal to zero.

$$H0 : \beta i = 0$$

means that the independent variable is not a significant explainer to the dependent variable. The alternative hypothesis is HA with the parameter of a variable that is not equal to zero.

$$HA : \beta i \neq 0$$

means that the independent variable is the significant explainer to the dependent variable.

It can be done by comparing value of t calculation with the value of t table. If the t-test estimation is higher than the t-test value in table, the alternative hypothesis stating that an independent variable individually affect the dependent variable is accepted (Ghozali, 2001)

CHAPTER IV

DATA ANALYSIS

4.1. Descriptive Statistic of Research Variable

The variable description on descriptive statistic in this research uses the minimum, maximum, mean and the standard deviation of the dependent variable which is Company Value (CV) and four independent variables which are Dividend Policy (DP), Capital Structure (CS), Profitability (P) and Size (S). The descriptive statistic shows the sample character that is used in this research. The descriptive statistic of the research can be seen in table 4.1:

Table 4.1
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
CV	240	.0400	4.6500	1.132046	.9309189
DP	240	-.2086	1.4235	.088597	.2192863
CS	240	.0400	14.8900	1.306404	1.6182068
P	240	-.1534	.2568	.056010	.0654525
S	240	11.1532	18.8493	13.992232	1.5069457
Valid N (listwise)	240				

The company value (CV) is proxied by the value of the Price to Book Value (PBV) whereas the PBV is the ratio between the prices per share of stock with the book value per share. From table 4.1it is clearly seen that the mean of the CV for the manufacturing company listed in Indonesia stock exchange for 2009 – 2011 periods is 1.132046 and the value of the standard deviation is 0.9309189. The table above also shows the minimum value of CV which is 0.0400 and the

maximum value is 4.6500. It indicates that the company values are positive for all the companies as sample.

The Dividend Policy (DP) is proxied by the value of the Dividend payout Ratio of the company. On the other hand, the dividend payout ratio is the portion of profit generated by the company for the shareholder.It consists of the comparison between the dividend per divided by the earning per share. The mean of the DP above is 0.088597 with the standard deviation is 0.2192863. If the standard deviation value is greater than the mean, it can be assumed that the fluctuation of DP between one data to another is relatively high. And its minimum value is -0,2086 and the maximum value is 1.4235.

The Capital Structure (CS) is proxied by the value of Debt to Equity Ratio (DER) whereas the DER is the proportion between the total debts with the total equity. From table 4.1 the mean of CS is 1.306404 with the standard deviation 1.6182068. The distribution of the data for the CS is quite large because the mean value is below the standard deviation value. The minimum value of CS is 0,04 and the maximum value is 14,890. It can be assumed that all the sample companies have debt in their capital structure.

The Profitability (P) is proxied using the Return On Investment ratio whereas the ROI shows the ability of the company to generate profit. From table 4.1 the mean of P is 0.056010 with the standard deviation is 0,0654525. It means that the distribution for P is relatively large and the minimum value of P is -0.1534 and the maximum value is 0.2568. It indicates that not all the companies sample generate profit but also there are companies with loss profit.

The Size (S) is proxied by the value of natural logarithm of total asset. From the table above, the value of mean for S is 13.992232 with the standard deviation 1.5069457. It can be interpreted that the value of S fluctuates relatively small because the value of mean is greater than the standard deviation and the minimum value of S is 11.1532 with the maximum value 18.8493.

4.2. Classical assumption test

Before undergoing further analysis, the data must fulfill the classical assumption test that consists of normality test, multicollinearity test, autocorrelation test and heteroscedasticity test. The results of classical assumption test are presented below:

4.2.1. Normality test

Thepurpose of normality test is to test whether in the regression model both the dependent variable and independent variable have normal distribution or close to normal. The normality is generally detected by looking at the histogram graphic. However, by just looking at the histogram sometimes unbiased result may emerge particularly if the data sample is small. The more precise method to detect normality is by looking at the normal probability plot that compare the cumulative distribution of the real data with the cumulative distribution of the normal distribution. The basic rules in deciding the result are as follows:

1.If the data are spread around the diagonal line and follow the direction of diagonal line or the histogram graphic, it shows the normal distribution pattern, then the regression model meet the normality assumption

2. If the data are spread far from the diagonal line and or not keep up the direction of diagonal line or the histogram graphic, it does not show the normal distribution pattern, then the regression model does not meet with the normality assumption.

Table 4.2

Normal P-P Plot of Regression Standardized Residual

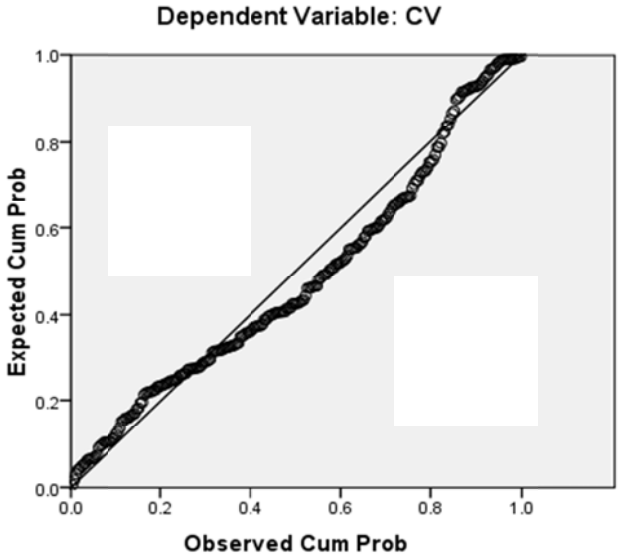


Table 4.2 indicates that the graphic of normal probability plot shows the dot spreading around the diagonal line. It indicates that the regression model, dependent variable and independent variable are close to normal distribution.

Another test to detect the normality residual is using the non-parametric test Kolmogorof – Smirnov (K-S). From the Kolmogorof – Smirnov test the result can be seen in table 4.3 below:

Table 4.3
One-Sample Kolmogorov-Smirnov Test

		Standardized Residual
Normal Parameters[a,,b]	N	240
	Mean	.0000000
	Std. Deviation	.99159649
Most Extreme Differences	Absolute	.088
	Positive	.088
	Negative	-.051
	Kolmogorov-Smirnov Z	1.356
	Asymp. Sig. (2-tailed)	.051

a. Test distribution is Normal.
b. Calculated from data.

From table 4.3 above, it can be seen that the K-S value is 1.356 with the rate of significant 0.051 because the value of significant is closely above the 0.05, so the residual is close to normal distribution.

4.2.2. Multicollinearity test

The purpose ofmulticollinearity test is to test whether in regression linier the correlation between independent variable exists. The existence of multicollinearity in the regression model can be detected by looking at the value of tolerance and Variance Inflation Factor (VIF). The parameter that is generally used to detect multicollinearity is the value of tolerance < 0.01 or equal with the value of VIF > 10 (ImamGhozali, 2001)

Table 4.4
Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	DP	.879	1.137
	CS	.879	1.138
	P	.769	1.300
	S	.974	1.026

a. Dependent Variable: CV

From the table 4.4 above, it can be seen that the calculation of VIF for all independent variable has the value below 10 and the tolerance value for all independent variable is above 0,1 meaning that the regression model is free from multicollinearity.

4.2.3. Autocorrelation test

The purpose of autocorrelation test is to test whether in a regression model the correlation between error bullies on t period with the error on t-1 period exists. One of the test to detect the autocorrelation is Durbin – Watson test. The Durbin – Watson test is just used for the first order autocorrelation and requires the existence of intercept in the regression model and there are no lag variables between independent variable. The Durbin – Watson test can be seen in table 4.6 below:

Table 4.5
Durbin – Watson Test
Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.695[a]	.483	.474	.6752820	1.869

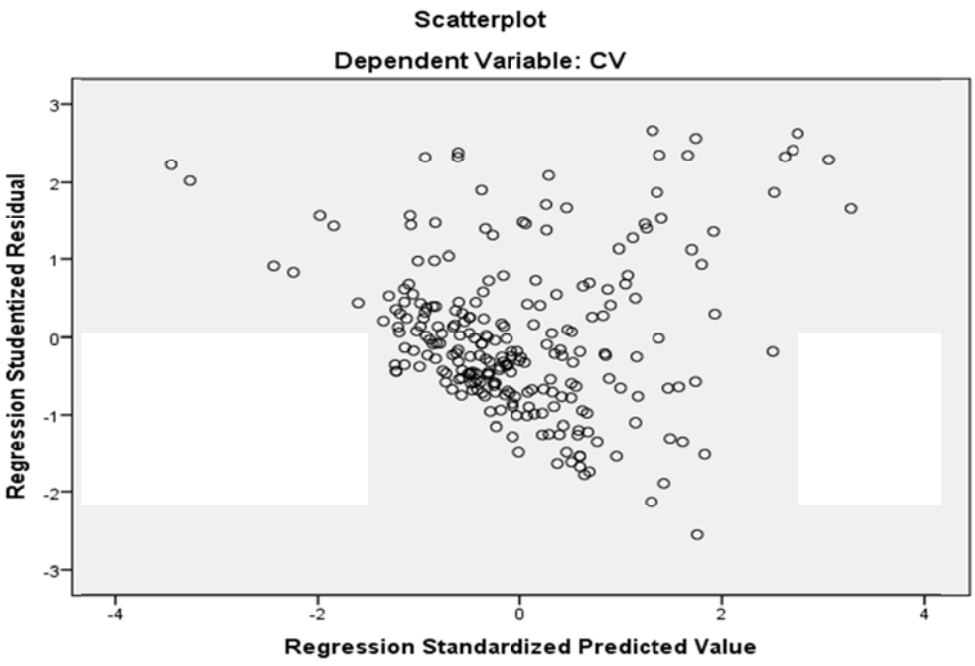
a. Predictors: (Constant), S, CS, DP, P
b. Dependent Variable: CV

From the table 4.5 above it can be concluded that the value of DW is 1.869 while the value of Durwin-Watson table for n=240 k=4 the du is 1.81384. It cancan be concluded that the regression model has no autocorrelation because the value of DW is greater than the value of du means that the Ho is not rejected.

4.2.4. Heteroscedasticity test

To identify the existence of heteroscedasticity in this research the scatter plot graphic was used as seen in the table below:

Table 4.6



From the scatterplot graphic above, it can be seen that the dots spread randomly both above and below the number 0 in y axis. It can be concluded that in the regression model the heteroscedasticity does not occur. Therefore, the regression model is suitable to be used in this research.

4.3. Hypothesis Test Result

From the result of classical assumption test, it can be concluded that the regression model are free from multicollinearity, autocorrelation and the model is distributed normally. Then the model can be conducted for further analysis which is undergoing multiple regression analysis. The purpose of multiple regressions is to analyze the relationship between independent variable and dependent variable. The result of the regression analysis can be seen in table 4.6 below:

Table 4.6
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-2.346	.410		-5.716	.000
	DP	.201	.212	.047	.946	.345
	CS	.060	.029	.104	2.076	.039
	P	8.019	.761	.564	10.540	.000
	S	.210	.029	.339	7.138	.000

a. Dependent Variable: CV

From table 4.6 above, the regression formula can be derived as:

CV = -2.346 + 0.21DP + 0.06CS + 8.019P + 0.21S

The multiple regression formula above can be interpreted as follows:

1. The value of constanta is -2.346; it means that if the value of DP, CS, P and S are assumed to be 0, the value of the PBV will be equal to -2.346.
2. The regression coefficient of DP is 0.201, meaning that every increase in DP will increase the CV
3. The regression coefficient of CS is 0.06, meaning that every increase in CS will increase the CV
4. The regression coefficient of P is 8.019, meaning that every increase in P will increase the CV
5. The regression coefficient of S is 0.21, meaning that every increase in S will increase the CV

4.3.1. The Influence of Dividend Policy Toward Company value

The first hypothesis states that Dividend Policy has positive influence toward Company Value but based on table 4.7 above the regression coefficient for Dividend Policy (DP) is 0.201 with the t-calculation 0.946 and the degree of significant is 0.345. The t-calculation for Dividend Policy is below the t-table which is 0.946 < 1.96 and the degree of significant is greater than 0.05. H1 is not accepted which means that the Dividend Policy has no influence toward Company Value.

From the calculation of regression model, it can be seen that the Dividend Policy proxied using the value of Dividend Payout Ratio (DPR) has

no influence toward Company Value. This result supports the residual theory of dividend stating that the dividend policy is not relevant because it does not influence the value of the company. the investor prefer to have the firm retain and reinvest earnings if they can earn a higher risk adjusted return than the investor can. In addition, this result supports the research conducted by Pakpakhan (2010). He said that the value of the company is not influenced by the dividend policy but rather by the value of Size and ROE. The research conducted by Tito, Chabacchib, et al (2007) also finds that the Dividend payout ratio has negative influence toward company value that is proxied by using PBV

4.3.2. The Influence of Capital Structure Toward Company Value

The second hypothesis states that the capital structure has positive influence toward company values. Based on table 4.7 above, the regression coefficient for Capital Structure (CS) is 0.06 with the t-calculation 2.076 and the degree of significant is 0.039. The t-calculation is greater than t-table whereas 2.076>1.96 and the degree of confident is below 0.05. Therefore the H2 is accepted and then the Capital Structure has positive influence toward Company Value.

The second hypothesis test from the regression calculation results in the Capital Structure (CS) proxied by Debt to Equity Ratio (DER) that has positive and significant influence toward Company value. This result

is in line with the research conducted by Tito and Chabachib (2007) stating that the DER has positive influence toward PBV. In this research the PBV is used as the proxy for company value. It can be said that the DER as the proxy of capital structure has positive influence toward company value. The existence of debt in capital structure will increase the interest expense of the company but if the company can generate more profit from outside source of financing, the company has boosted their performance to generate profit through increasing debt.

This result is contradictive to the research conducted by Wirawati (2008) stating that the degree of financial leverage has significant impact on price to book value as the proxy for company value. The use of debt in capital structure must consider the ability of the company to pay the debt if the debt is too high and the company has no ability to pay the debt. Consequently, the company will be liquidated and it is very unfavorable for the investor. The conclusion is the use of debt in capital structure of the listed manufacturing company for 2009 – 2011 is in the level where the debt can optimize the performance of the company thus it can increase the company value.

4.3.3. The Influence of Profitability Toward Company Value

The third hypothesis states that the profitability has positive influence toward company value. Based on table 4.7 above, the regression coefficient for Profitability (P) is 8.019 with the t-calculation 10.540 and the degree of significant is 0.000. The t-calculation is greater than t-table which is

10.540>1.96 and the degree of significant is below 0.05. Therefore, the H3 is accepted andProfitability has positive influence toward Company Value.

For the third hypothesis test, the regression analysis reveals that the Profitability (P) proxied by using the Return On Investment (ROI) has positive influence and significant toward company value. These results strengthen the research conducted by Rudianto and Sutawidjaya (2012) stating that the ROI has positive influence toward company value and isalso in line with the result conducted by Wirawati (2008), Sparta (2000) and Pakpakhan (2010) in which the profitability such as ROI, ROA and ROE has positive influence toward company value.

The profitability is very important for the investor because the aim of the investor is to get the maximum profit from the capital they invested in form of stock in the listed company. That is why the higher the value of the probability which show from the ROI will increase the value of the company.

4.3.4. The Influence of Size Toward Company Value

The fourth hypothesis states that size has positive influence toward company value. Based on table 4.7 above, the regression coefficient for Size (S) is 0.210 with the t-calculation 7.138 and the degree of significant is 0.000. The t-calculation is greater than t-table which is 7.138>1.96 and the degree of significant is below 0.05. Therefore, the H4 is accepted then Size has positive influence toward Company Value.

The fourth hypothesis testing from the regression calculation reveals that the Size (S) has positive and significant value toward company value. This finding supports the research conducted by Pakpakhan (2010) and Suharli (2006) stating that the Size of the company influences the company value.

The size of the company is seen from the total asset owned by the company that can be used to support its operational activity. The higher the size of the company, the higher to the total assets. And this advantage will give the company flexibility access to the source of fund to expand their business.

4.3.5. F-Test Result

The F-test statistic is basically used to show whether every independent variable included in regression model together has influence to the dependent variable. The result of the simultaneous test can be seen in table 4.8 below:

Table 4.7
ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	99.958	4	24.990	54.801	.000[a]
	Residual	107.161	235	.456		
	Total	207.120	239			

a. Predictors: (Constant), S, CP, DP, P
b. Dependent Variable: CV

From table 4.7 above, it can be seen that the value of F is 54.801 with the level of significant 0.000 because the probability is below 0.05. It means that the regression model can be used to predict the Company value (CV) or it also can be said that the Dividend Policy (DP), Capital Structure (CS), Profitability (P) and Size (S) together have influence to Company Value (CV).

4.3.6. Determinant Coefficient

The determinant coefficient (R^2) is basically used to measure how far the ability of the model explains the dependent variable variation. The determinant coefficient value is between zero to one. The low value of R^2indicates the ability of the independent variables in explaining the dependent variable variation which is very limited. The value of R^2 which is close to one means that the independent variables give almost all information required to predict the dependent variable variation. The value of R^2 from the regression model can be seen in table 4.8 below:

Table 4.8
Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.695[a]	.483	.474	.6752820	1.869

a. Predictors: (Constant), S, CS, DP, P
b. Dependent Variable: CV

Based on table 4.8, it can be seen that the value of adjusted R^2 on the regression model is 0.474. It means that 47.4% of the company value (CV) can be explained by the independent variables that consist of Dividend Policy (DP), Capital Structure (CS), Profitability (P) and Size (S). Meanwhile the rest of 52,3% is influenced by other variable excluded from the regression model.

In this research the R^2 is not used because in the R^2 every addition of one variable will automatically increase the R^2regardless the fact whether the variable has significant influence on dependent variable or not. Therefore, this research uses the adjusted R^2 because it will not increase or decrease because of the addition or reduction of one independent variable to the regression model (Imam Ghozali, 2001).

CHAPTER V

CONCLUSION AND RECOMMENDATION

5.1. Conclusion

From the result of the research conducted to identify the influence of dividend policy, capital structure, profitability and size toward company value, it can be concluded that:

1. Regarding the value of t-calculation,the firsthypothesis is not accepted. The interpretation of t-calculation is that the Dividend Policy has no influence toward company value for manufacturing company listed in Indonesia stock exchange for 2009 – 2011 period. This result supports the theory regarding the residual theory of dividend stating that the dividend policy is not relevant because it has no influence toward company value.

2. Regarding the value of t-calculation of capital structure,the second hypothesis is accepted. It means that the Capital Structure has positive influence and significant toward company value for manufacturing company listed in Indonesia stock exchange for 2009 – 2011 period. This result is in line with the traditional approach stated by Van Horne and Wachowicz that the company can increase their total value of the firm through sensible use of financial leverage.

3. Regarding the value of t-calculation of Profitability, the third hypothesis is accepted. In other words, the profitability has positive and significant influence toward company value for manufacturing company listed in Indonesia stock exchange for 2009 – 2010 period. High profitability will boost the company

performance to become big and big company. It also has high company value, therefore the profitability can influence the value of the company.

4. Regarding the value of t-calculation of Size, the fourth hypothesis is accepted. In other words, the Size has positive and significant influence toward company value for manufacturing company listed in Indonesia stock exchange for 2009 – 2010 period. The bigger size of the company reflects the stability of the company to run the business in the long term. Therefore, the stable company that has higher probability to survive in the future is favorable for the investor because they can fulfill their obligation on time and the investor will feel more secure to invest their capital in stock to stable company.

5. Simultaneously the Dividend Policy (DP), Capital Structure (CS), Profitability (P) and Size (S) have significant influence toward Company Value (CV) with the value of adjusted R^2 is 0.474 which means that 47.4% the company value is influenced by all independent variable simultaneously and the rest which is 52.6% is affected by the other variables which are not included in this research.

6. partially the independent variables which have the most influence toward company value for manufacturing company listed in Indonesia stock exchange for 2009 – 2011 periods are profitability, followed by Size, and the least capital structure.

5.2. Recommendation

Based on the conclusion above, to predict the company value for manufacturing company the investors should consider profitability, Size and capital structure because those three variables have positive influence toward company value in manufacturing industry. The high profitability shows the ability of the company to generate profit. The investors have higher expectation for profitable company. Therefore, the investor is more interested to buy their stock and make the stock price increases. The size also has important role to create high company value because the size of the company reflected from the total asset influences the company to find the source of fund. The accessibility to the source of fund is important for the company when the company need the money to support their project or daily activity of the company. The bigger size of the company and the accessibility of the source of fund will make the company operate smoothly and finish their project as planned before. The capital structure also influences the company value, therefore the company should maintain their debt in the safe zone so that the company is not burdened by the interest. It can maintain their risk of bankruptcy as little as possible because low risk company is more attractive for the investor.

5.3. Research limitation

The limitation of this research is just focused on four independent variables which are dividend policy, profitability, capital structure and size. The research sample in this thesis is manufacturing company. For the further research, the

researcher can explore more and add more variables from external factor of the company such as interest rate, inflation rate and also use the different sector industry such as in banking company.

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APPENDIX

List of research sample :

1	(INTP) Indocement Tunggal Perkasa Tbk	41	(GJTL) Gajah Tunggal Tbk
2	(SMCB) Holcim Indonesia Tbk	42	(INDS) Indospring Tbk
3	(SMGR) Semen Gresik Tbk	43	(LPIN) Multi prima Sejahtera Tbk
4	(AMFG) Asahimas Flat Glass Tbk	44	(MASA) Multistrada Arah Sarana Tbk
5	(ARNA) Arwana Citra Mulia Tbk	45	(NIPS) Nipress Tbk
6	(TOTO) Suryatoto Indonesia Tbk	46	(PRAS) Prima Alloy Steel Universal Tbk
7	(ALKA) Alaska Industrindo Tbk	47	(SMSM) Selamat Sempurna Tbk
8	(ALMI) Alumindo Light Metal Industry Tbk	48	(ADMG) Polychem Indonesia Tbk
9	(BTON) Betonjaya Manunggal Tbk	49	(CNTX) Centex Tbk
10	(CTBN) Citra Turbindo Tbk	50	(ESTI) Ever Shine Textile Industry Tbk
11	(INAI) Indal Alumunium Industry Tbk	51	(HDTX) Pan Asia Indosyntex Tbk
12	(JPRS) Jaya Pari Steel Tbk	52	(INDR) Indo Rama Synthetic Tbk
13	(LION) Lion Metal work Tbk	53	(RICY) Ricky Putra Globalindo Tbk
14	(LMSH) Lion Mesh Prima Tbk	54	(SSTM) Sunson Textile Manufacturer Tbk
15	(NIKL) Pelat Timah Nusantara Tbk	55	(UNIT) Nusantara Inti Corpora Tbk
16	(PICO) Pelangi Indah Canindo Tbk	56	(JECC) Jembo Cable Company Tbk
17	(TBMS) Tembaga Mulia Semanan Tbk	57	(KBLI) KMI Wire and Cable Tbk
18	(BRPT) Barito Pacific Tbk	58	(KBLM) Kabelindo Murni Tbk
19	(BUDI) Budi Acid Jaya Tbk	59	(SCCO) Supreme Cable Manufacturing Tbk
20	(DPNS) Duta Pertiwi Tbk	60	(VOKS) Voksel Electric Tbk
21	(EKAD) Ekadharma International Tbk	61	(PTSN) Sat Nusa Persada Tbk
22	(INCI) Intan wijaya International Tbk	62	(AISA) Tiga Pilar Sejahtera Food Tbk
23	(SRSN) Indo Acitama Tbk	63	(CEKA) Cahaya Kalbar Tbk
24	(UNIC) Unggul Indah Cahaya Tbk	64	(DAVO) Davomas Abadi Tbk
25	(AKPI) Argha Karya Prima Industry Tbk	65	(DLTA) Delta Djakarta Tbk
26	(BRNA) Berlina Tbk	66	(INDF) Indofood sukses Makmur Tbk
27	(FPNI) Titan Kimia Nusantara Tbk	67	(PSDN) Prashida Aneka Niaga Tbk
28	(IGAR) Champion Pacific Indonesia Tbk	68	(SKLT) Sekar Laut Tbk
29	(SIAP) Sekawan Intiprima Tbk	69	(STTP) Siantar Top Tbk
30	(TRST) Trias Sentosa Tbk	70	(RMBA) Bentoel International Investama Tbk
31	(JAPFA) Japfa Tbk	71	(DVLA) Darya Varia Laboratoria Tbk
32	(SIPD) Sierad Produce Tbk	72	(INAF) Indofarma Tbk

33	(TIRT) Tirta Mahakam Resource Tbk	73	(KAEF) Kimia Farma Tbk
34	(INKP) Indiah kiat Pulp & Paper Tbk	74	(PYFA) Pyridam Farma Tbk
35	(INRU) Toba Pulp Lestari Tbk	75	(TSPC) Tempo Scan Pacific Tbk
36	(SPMA) Suparma Tbk	76	(MRAT) Mustika Ratu Tbk
37	(TKIM) Pabrik Kertas Tjiwi Kimia Tbk	77	(TCID) Mandom Indonesia Tbk
38	(ASII) Astra International Tbk	78	(KDSI) Kedawung Setia Industrial Tbk
39	(AUTO) Astra Otoparts Tbk	79	(KICI) Kedaung Indah Can Tbk
40	(BRAM) Indo Kordsa Tbk	80	(LMPI) Langggeng Makmur Industry Tbk

Table 4.1
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
CV	240	.0400	4.6500	1.132046	.9309189
DP	240	-.2086	1.4235	.088597	.2192863
CS	240	.0400	14.8900	1.306404	1.6182068
P	240	-.1534	.2568	.056010	.0654525
S	240	11.1532	18.8493	13.992232	1.5069457
Valid N (listwise)	240				

Table 4.2

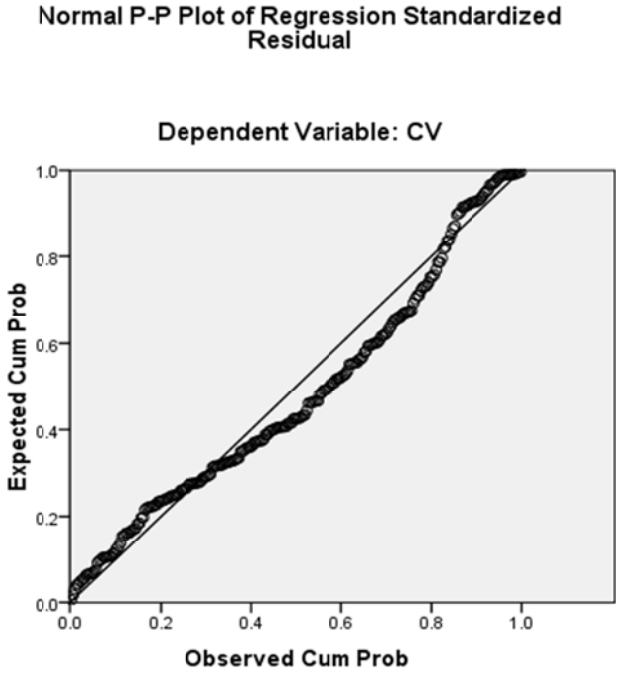


Table 4.3
One-Sample Kolmogorov-Smirnov Test

		Standardized Residual
Normal Parameters[a,,b]	N	240
	Mean	.0000000
	Std. Deviation	.99159649
Most Extreme Differences	Absolute	.088
	Positive	.088
	Negative	-.051
	Kolmogorov-Smirnov Z	1.356
	Asymp. Sig. (2-tailed)	.051

a. Test distribution is Normal.

b. Calculated from data.

Table 4.4
Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	DP	.879	1.137
	CS	.879	1.138
	P	.769	1.300
	S	.974	1.026

a. Dependent Variable: CV

Table 4.5
Durbin – Watson Test
Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.695[a]	.483	.474	.6752820	1.869

a. Predictors: (Constant), S, CS, DP, P

b. Dependent Variable: CV

Table 4.6
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-2.346	.410		-5.716	.000
	DP	.201	.212	.047	.946	.345
	CS	.060	.029	.104	2.076	.039
	P	8.019	.761	.564	10.540	.000
	S	.210	.029	.339	7.138	.000

a. Dependent Variable: CV

Table 4.7
ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	99.958	4	24.990	54.801	.000[a]
	Residual	107.161	235	.456		
	Total	207.120	239			

a. Predictors: (Constant), S, CP, DP, P

b. Dependent Variable: CV

Table 4.8
Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.695[a]	.483	.474	.6752820	1.869

a. Predictors: (Constant), S, CS, DP, P

b. Dependent Variable: CV