

The Determinants of the Value of the Firm

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Abstract—This study aims to analyze the effect of Dividends per Share, earning per Share, and Debt to Equity Ratio on the Study Share Prices in the Food and Beverage industry sector listed on the IDX for the 2014-2017 period. The population is 16 companies and the number of samples is 9 companies by passing the purposive sample stage. The analysis technique that will be used in this study is multiple linear regression to obtain a comprehensive picture of the relationship of one variable with another variable. The result of data analysis of the Multiple Linear Regression. Test found that the Dividend per Share and Earning per Share have a positive and significant effect on the Share Price, but Debt to Equity Ratio has insignificant effect (no effect) on the Stock Price (value of the firm). From the results of this study, it is expected that the variables Dividend Per Share, Earnings Per Share, and Debt to Equity Ratio can be used as good guidelines by the company or investors in making decision.

Keywords—profit management; value of the firm

I. INTRODUCTION

A capital market is a meeting among parties who have an excess of capital and those who need funds by trading securities. The government of Indonesia believes that the capital market is a means to support the advancement of Indonesia's economic development. The capital market mobilizes long-term fund movements from investors, which are then distributed to the productive sectors expecting those sectors are able to develop and produce new jobs for the society, and involuntarily can absorb large number of workers that will be directly influential in reducing the amount of unemployment.

The industry of food and beverage occupies a strategic position in providing safe, nutritious, and excellent fast food products. This sector has important roles in economic development for being one of many sectors that are the government's priority in encouraging industry as an incentive of the national economy. Therefore, the implementation of processing method and a good safety system for food are required to take roles, from the selection of raw materials to the distribution of the trade [1].

This can be seen from period to period the companies that are listed on the Indonesia Stock Exchange are increasing and demanded by the investors. The volume of food and beverage needs will continue to increase. Many new food and beverage

companies will emerge from people's tendency to eat fast food. They consider this sector very strategic and have good prospects to be developed both in the present and in the future. The growth of the investors can be seen from 2013 until 2016, each year reported a total of 321,000, 364,000, 432,000 and 536,000 investors in the capital market. Meanwhile, the growth of year-on-year investors for each year was 14%, 13.3%, 18.6% and 24.07%, also the funds can be used to support the development of national economy. On the other hand, the investors want an increase in prosperity that must be maintained and sustainable. The benchmark of for investors' prosperity increase is indicated by the stock price movement. The movement of stock price is influenced by several factors including dividend policy, Earning Per Share (EPS), and debt policy.

The study conducted by Madischah, who investigated the influence of Earning per Share, Dividend per Share, dan Financial Leverage to Stock Prices in Manufacturing Companies on the Jakarta Stock Exchange pointed that partially, earning per Share has an impact to stock prices [2]. On the other hand, Dividend per Share does not have an impact to stock prices as well as Financial Leverage. However, simultaneously, Earning per Share, Dividend per Share, and Financial Leverage influence on stock price. The present study continues Madischah's to re-prove the influence of Dividend Per Share, Earnings Per Share, and Financial Leverage to Stock Price [2].

II. RESEARCH METHODS

A. Sample and Data

Based on the above criteria, the sample companies are 9 out of 16 companies, that is the population that was taken as the sample for this research, and purposive sampling method was used as the sampling technique.

B. Variables

- Dividend Per Share: Dividend per Share is employed as an independent variable.
- Earning Per Share: Earning per Share is employed as an independent variable.

- Debt to Equity Ratio (a proxy from Financial Leverage): Debt to Equity Ratio is employed as an independent variable.
- Stock price is employed as a dependent variable.

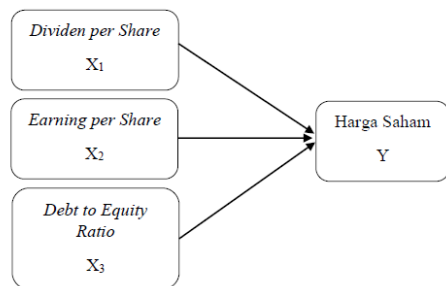


Fig. 1. Framework.

III. RESULTS AND DISCUSSION

According to the Multicollinearity test, it can be seen that the VIF (Variance in floating Factor) value of each variable is less than 10 and tolerance higher than 0.1, therefore in the regression model, no symptoms of multicollinearity between the independent variables occur.

Based on the results, it can be observed in the scatterplot graphic that the points spread above and below the number 0 on the Y axis. It can be concluded that there is no symptom of heteroscedasticity and the employed data has met the requirements to be tested using multiple regression.

The autocorrelation test using Durbin Watson method showed the result of value 1.663, which is located between -2 to +2. It can be stated that D-W test is located in the range free from autocorrelation. Analysis of Multiple Linear Regression. The systematic formula used in this research is:

$$\text{Value of The Firm} = B_0 + \beta_1 \text{Divident Per Share} + \beta_2 \text{Earnings Per Share} + \beta_3 \text{Debt to Equity Ratio} + e$$

Based on the result of analysis of multiple linear regression, the following values are obtained.

TABLE I. MULTIPLE LINEAR REGRESSION ANALYSIS RESULTS

Model	B	Sig.
(Constant)	-4006,798	.038
DPS	1035,383	.000
EPS	682,984	.016
DER	58,617	.944

$$VF = -4006,798 + 1035,383 \text{ Divident Per Share} + 682,984 \text{ Earning Per Share} + 58,617 \text{ Debt to Equity Ratio}$$

Goodness of Fit Test According to the test, it can be stated that the multiple linear regression has a significant suitability to the model due to the significance value of F 0.000 or less than 0.05. T test the impact of each independent variable to dependent variable, based on the test result using SPSS, DPS and EPS have significant impact to the stock price, DER has no impact to the stock price. According to the test using SPSS, the

DPS (X₁) has a positive and significant impact to stock price. The result is seen on the $t_{\text{count}} 4.376 > t_{\text{table}} 1.694$, therefore H_0 is rejected.

The sig. value is 0.000, less than 0.05, meaning H_a is accepted. This implies that the first hypothesis is accepted. The result of the research shows that dividend shared by companies to stock holders influences stock price. Based on the test results using SPSS, EPS (X₂) has a positive significant impact to stock price. It can be seen in the $t_{\text{count}} 2.555 > t_{\text{table}} 1.694$, therefore H_0 is rejected. The sig. value is 0.016, less than 0.05, therefore H_a is accepted. It can be concluded that the second hypothesis is accepted. The results of the study are confirmed and in accordance to the results of an empirical study conducted by Miranda who stated that partially, EPS has a significant impact to stock price [3]. R^2 Test future will come. The change in dividend's signal can be seen in the stock price reaction. (www.repositoryusu.ac.id) *Earning Per Share* (X₂)

The results show that earning per share (X₂) has the significance value of $0.016 < 0.05$, meaning it has a significant impact to stock prices. The $t_{\text{count}} 2.555$ is positive, meaning EPS has a positive impact to stock price. In conclusion, EPS has a positive and significant impact to stock price in Food and Beverage Companies Registered in Indonesia Stock Exchange (IDX) in the period of 2014 to 2017. The relationship between earning per share and stock price is stated in Tjiptono and Hendy's theory: the higher the EPS value, the happier the stock holders, due to the higher profit that is available for them [4]. By increasing the company's profit, then stock price rises, meanwhile if the profit is decreased, then stock price also lowers significance value $0.944 > 0.05$, implying DER does not have a significant impact (does not influence) stock price. The t_{count} is 0.070, which is positive, indicating that DER has a positive impact to stock price. It can be concluded that DER has a positive and not significant (no impact) on the stock prices of Food and Beverage Companies Registered in Indonesia Stock Exchange in the period of 2014-2017.

The results display that DER is visibly not always influenced by the changes in the source of funds from loans or debt (DER) to the value of Food and Beverage companies during the 2014-2017 period because stock prices were also influenced by factors other than DER. Despite DER having a positive impact and positive correlation does not mean that companies can decide the highest debt ratio. The factors other than DER that influence stock prices according to Alwi are [5]:

Internal Factor reports. Financing announcements, such as announcements related to equity and debt. Announcement of company financial statements, such as estimating earnings before the end of the fiscal year and after the end of the fiscal year, Earning Per Share (EPS), Dividend Per Share (DPS), Price Earning Ratio, Net Profit Margin, Return On Assets (ROA), etc.

Announcements from the government such as changes in interest rates and deposits, foreign exchange rates, inflation, and various economic regulations and deregulations issued by the government. Legal announcements, such as the employee's demands on the company or its manager and the company's demands on the manager.

Securities announcements, such as annual meeting reports, insider trading, volume or trading stock prices, trading restrictions / delays. Domestic political turmoil and exchange rate fluctuations are also factors that have a significant effect on the occurrence of stock price movements on a country's stock exchange. Various issues both from within and outside the country.

IV. CONCLUSION

Based on the results of data analysis and the discussions, these following statements can be the conclusions from the study research of Food and Beverage industry from 2014-2017. The constant value from multiple linear regression test is -4006,798, which means if a company does not earn net income after tax (Earnings After Tax/EAT), so that there is no dividend policy, profit for the shareholders, and debt policy, then the stock price is negative. *Dividend per Share* dan *Earning per Share* DPS and EPS have positive and significant influence to the stock price, meanwhile DER has no influence to the stock price.

The result of goodness of fit test has equation model of regression $VF = -4006,798 + 1035,383 \text{ DPS} + 682,984 \text{ EPS} + 58,617 \text{ DER}$ that already has a suitability of significant model among DPS, EPS, and DER to the stock price for the

significance value of F is 0,000. The result of R2 test shows that variables of DPS, EPS and DER are influential to the variable of the company's value of 43.1%, meanwhile the value of 56.9% is influenced by other variables outside this research.

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