

The Effect of Dividend Policy, Profitability and Institutional Ownership on Company Value

Titania Lukas Kurnia Ilahi¹, Suwardi², Dedik Purwanto³, Suharti⁴
University of Muhammadiyah Semarang
Corresponding Author's: titanialukas0205@gmail.com

ARTICLE INFORMATION

Publication information

Research article

HOW TO CITE

Ilahi, T.L.K., Suwardi., Purwanto, D., Suharti. (2024). The Effect of Dividend Policy, Profitability and Institutional Ownership on Company Value. Economics and Business International Conference, 1(1), 112-120.



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Received: April 1, 2024
Accepted: April 28, 2024
Published: May 31, 2024

ABSTRACT

This study aims to analyze the Effect of Dividend Policy, Profitability, and Institutional Ownership on the Company Value of Banks in Indonesia (Case Study of Banks Listed on IDX for the 2018-2022 Period). This study uses Company Value as the dependent variable. While the independent variable uses Dividend Policy, Profitability, and Institutional Ownership. This study used a quantitative approach with pooled data. The study population is the annual report of banks listed on the Indonesia Stock Exchange (IDX) for the 2018-2022 period. The sample selection method in this study used the purposive sampling method. The data analysis technique used in this study is multiple regression analysis. Based on the results of data analysis, the Dividend Policy has a negative and insignificant effect on the Company's Value with a significant value of 0.072. Profitability has a negative and significant effect on the Company Value with a significant value of 0.000. Institutional Ownership has a negative and significant effect on the Company's Value with a significant value of 0.000. Thus, the variables of Dividend Policy, Profitability, and Institutional Ownership were able to influence the variables of Company Value by 70.3% and the remaining 29.7% were influenced by other variables that were not analyzed in this study.

Keywords: Dividend Policy, Profitability, Institutional Ownership, Corporate Value

INTRODUCTION

One of the goals of company founders is to maximize the value of the company reflected by the stock price. Every company wants a high corporate value. The high value of shares indirectly indicates that the prosperity of shareholders is also high. Prospectively, stocks will have an appeal to investors. A company's value also describes how poorly management manages its wealth. In the view of investors, the success rate of the company is reflected in the company's share price.

Company value is very important because it reflects the structure of the company that can influence investors and potential investors in investing in the company (Brigham et al., 2001). The value of a bank company that has gone public, the value of the company is important to be maintained in order to provide welfare to shareholders who have invested in the bank. The development of Bank Indonesia's corporate value over the last five years (2018-2022) is shown in Table 1.1. as follows:

Perkembangan Nilai Perusahaan Perbankan Indonesia

NILAI	2018	2019	2020	2021	2022
PERUSAHAAN	2,84	2,49	2,36	2,26	2,70

In Table 1.1. Above, the value of companies in national banks as a whole has decreased. The decline in the value of the company is a phenomenon that needs to be researched. The value of the company is an attraction to be explored because of many factors that influence it. There are many factors that influence it including external factors and internal factors. The factors causing the decline in company value in this study are dividend policy, profitability, and institutional ownership.

The first factor that affects the value of the company is the dividend policy. Before putting funds in a securities, it is important for investors to know the fundamental condition of the issuer, one way is to look at the value of the company. Muzakir's (2022) research on banks with certain criteria during the 2017-2022 period and obtained by 8 companies proves that dividend policy has a significant positive effect on company value. Another similar research result was conducted by Akbar Firlana & Fahmi Irhan (2022), Saputro (2021) which has the same result, namely that the company's value is influenced by dividend policy in a significant positive way.

The second factor that affects the value of the company is profitability. In achieving profitability in the global era, it causes more rapid and fierce competition between companies, so companies must continue to improve performance in order to compete and survive for a long time. The bank sector is no exception. The high and low level of profitability of a company will have an impact on company value, in addition, increasing company value can also invite many investors who will invest in related companies (Romadhani et al., 2022). Research researched by Audrey Putri (2021) which aims to determine the effect of profitability on company value, the results show that profitability variables can be proven to have a positive effect on the value of bank companies listed on the IDX in 2017-2019. The results of the study are in line with previous research researched by Musabbihan & Purnawati (2018), Anisa et al., (2021) which stated that profitability has a significant positive effect on the value of the company.

A factor influencing the value of other companies is institutional ownership. Institutional ownership is a condition in which the institution or institution has shares in the company.

The existence of this institutional investor is considered capable of being an effective monitoring mechanism in every decision taken by managers. Research researched by Wahyuni & Banjarnahor, (2022) that institutional ownership has a significant negative effect on company value. The existence of institutional ownership in a company, will encourage increased optimal supervision of management performance, supervision carried out by investors is very dependent on the amount of investment made.

The increase in company value reflects the welfare of shareholders as well as indicates public trust in the company. The research conducted by Anggita et al., (2021) is to determine 5 influences of institutional ownership on company value. The results of his research show that institutional ownership has a significant positive effect on company value. The greater the ownership of the institution, the greater the voting power and encouragement of the institution to oversee management. This will provide a greater impetus to optimize the company's value so that the company's performance will also increase.

LITERATURE REVIEW

The Effect of Dividend Policy on Company Value

The use of company excellence through innovation is the right step, because the company can have a large operating profit and these profits can be paid to shareholders or investors in the distribution of dividends every year. The effect of increasing dividends can affect the value of the company directly. Dividend policy provides information related to the company's performance in generating profits, the prospect of corporate profit growth that affects shareholders' perception of the company (Putra & Lestari, 2016).

Based on signal theory, if the company has good information, it gives good signals to investors so that it can attract investors to invest in the company. This makes dividend policy a good or bad signal for shareholders regarding the company's financial prospects. Research conducted by Muzakir (2022) states that dividend policy has a significant positive effect on company value. This result is in line with research conducted by (Akbar Firlana & Fahmi Irhan, 2020), & (Saputro, 2021).

H₁: Dividend Policy has a positive effect on Company Value

The Effect of Profitability on Company Value

Signal theory explains a company's business behavior by providing shareholders with information about how management sees the company's future prospects. Profitability is one of the important information for investors where they can analyze the development of company profits. The higher the company's profit, it provides positive signals for investors who indicate they will benefit from their investment.

The results of the research researched by Audrey Putri (2021) are in line with the research of Musabbihan & Purnawati (2018), Anisa et al., (2021) which states that profitability has a significant positive effect. The higher the profit value obtained, the higher the value of the company. Because high profits will give an indication of good company prospects so that it can trigger investors to participate in increasing demand for shares.

H₂: Profitability has a positive effect on Company Value

The Effect of Institutional Ownership on Company Value

Institutional share ownership has an important meaning in terms of more optimal supervision to management so as to suppress opportunistic behavior that is not in accordance with company objectives that may be carried out by management so that it can monitor in terms of decision making. Based on agency theory, there is a separation between the owner (principal) and the manager of the company (agent) so that it causes agent problems. Institutional ownership has an important role in overcoming agency problems that occur between managers and shareholders. The greater the percentage of share ownership by the institution will encourage increased supervision that is more optimal and effective in every decision taken by managers.

The results of research researched by Anggita et al., (2021) identified that institutional ownership has a significant positive effect on company value. This means showing that institutional ownership becomes a reliable mechanism so as to motivate managers to improve their performance which in turn can increase the value of the company.

H₃: Institutional Ownership has a positive effect on Company Value

RESEARCH METHOD

Population and Sample

According to Sugiyono (2013) states that populations can be objects and subjects that are formed based on certain quantities and characteristics with standards determined by researchers then become a conclusion. The population used in this study is the annual report of bank companies listed on the Indonesia Stock Exchange (IDX) with five years, namely from 2018-2022 a total of 33 bank companies. The sample criteria expected in this study are:

1. Companies listed on the Indonesia Stock Exchange (IDX) in the period 2018-2022.
2. The Company publishes complete annual reports for 2018-2022 consecutively.
3. Bank companies whose shares are actively traded on the Indonesia Stock Exchange (IDX) in the 2018-2022 period.

Analysis Methods

Linear Regression with Ordinary Least Square (OLS): Autocorrelation Test, Heterokedasticity Test, Multicholinerity Test, Normality Test, Coefficient of Determination (R²).

Hypothesis Test: Simultaneous Test (F Test) and Partial Test (t Test).

RESULTS

Uji Autokorelasi

Hasil Uji Autokorelasi-Durbin Watson

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	1.000 ^a	1.000	1.000	.00000457	.835

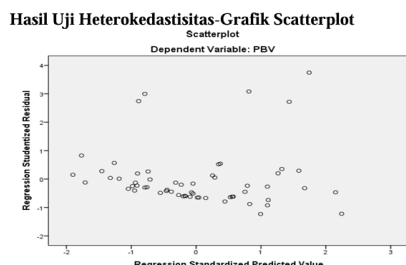
a. Predictors: (Constant), DPR, ROA, KI

b. Dependent Variable: PBV

Sumber : Data sekunder diolah dengan SPSS

Based on Table 4.5., shows that the result of autocorrelation with Durbin Watson test is 0.835. The value lies between -2 to +2 ($-2 < 0.835 < 2$), which means that the regression model in this study indicates no autocorrelation or free from autocholation.

Heterokedasticity Test



Sumber : Data Sekunder diolah dengan SPSS

Based on Table 4.6., showing the results of the heterokedasticity test, it can be seen that the points on the Scatterplot graph spread above and below zero on the Y axis, so it can be said that the regression model in this study is free from heterokedasticity.

Multicolinerity Test

Hasil Uji Multikolinieritas

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-5.848	4.853		-1.205	.233		
	DPR	.015	.017	.128	.865	.391	.757	1.322
	ROA	1.823	.889	.418	2.051	.045	.400	2.503
	KI	.061	.041	.306	1.476	.145	.388	2.579

Sumber : Data Sekunder diolah dengan SPSS

Based on Table 4.7. It can be seen that the results of the multicholinerity test show that all independent variables show a tolerance value of more than 0.10 and a VIF value of less than 10. Based on these results, it can be concluded that there is no multicholinerity between independent variables.

Normality Test

Hasil Uji Normalitas – Kolmogrov Smirnov

		Unstandardized Residual
N		60
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	1.71135074
Most Extreme Differences	Absolute	.086
	Positive	.086
	Negative	-.046
Test Statistic		.086
Asymp. Sig. (2-tailed)		.200 ^a

a. Test distribution is Normal.

b. Calculated from data.

Sumber : Data sekunder yang diolah dengan SPSS.

Based on the results from Table 4.8. shows that Kolmogorov Smirnov's value is 0.086 with an Asymp Sig (2-tailed) value of 0.200 or is above 0.05. The significant value obtained 0.200 is greater than the expected significance value, so it shows that the data in this study are already normally distributed.

Coefficient of Determination (R²)

Koefisien Determinasi

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.940 ^a	.883	.877	.31113

Sumber : Data diolah dengan SPSS

Based on Table 4.9. shows that the Adjusted R Square value is 0.887, meaning that the company's value at banks in Indonesia on the Indonesia Stock Exchange in 2018-2022. The value of Adjusted R Square which was influenced by the three independent variables namely Dividend Policy, Profitability, and Institutional Ownership was 87.7% and the remaining 12.3% was influenced by other variables that were not analyzed in this study.

Uji Hipotesis Simultaneous Test (Test F)

Uji Simultas (Uji F)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	40.958	3	13.653	8.390	.000 ^b
	Residual	91.125	56	1.627		
	Total	132.083	59			

a. Dependent Variable: PBV

b. Predictors: (Constant), KI, DPR, ROA

Sumber : Data sekunder diolah dengan SPSS

Based on Table 4.10. which is the result of the model feasibility test (Test F) it can be seen that the calculated F value is obtained at 8.390 with a significance value of 0.000 where the significance value is < 0.05. The regression equation used in this study can be used in subsequent tests, which means that together the independent variables have a significant positive effect on the dependent variable.

Partial Test (Test t)

Uji Parsial (Uji t)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-5.848	1.990		-2.939	.005
	Keb. Div	.015	.007	.269	2.110	.039
	Prof	1.823	.365	.878	5.002	.000
	KI	.061	.017	.642	3.601	.001

Dependen Variabel : Nilai

Perusahaan Sumber : Data

Sekunder diolah dengan SPSS

Based on Table 4. Above, it can be concluded as follows:

1. Dividend Policy Variables

Based on the results of the t test in Table 4.11. above, shows that the calculated t value on the Dividend Policy variable is obtained at 2.110 with a significance value of 0.039 where the significance value is < 0.05 (0.005 < 0.05) which means that individually the Dividend Policy variable has a positive effect on Company Value. Thus, the first hypothesis in this study which states that Dividend Policy has a positive effect on Company Value is accepted.

2. Variable Profitability

Based on the results of the t test in Table 4.11. above, shows that the calculated t value on the Profitability variable is obtained at 5.002 with a significance value of 0.000 where the significance value is < 0.05 ($0.000 < 0.05$) which means that individually the Profitability variable has a positive effect on Company Value. So that the second hypothesis in this study which states that Profitability has a positive effect on Company Value is accepted.

3. Institutional Ownership Variables

Based on the results of the t test in Table 4.11. above, shows that the calculated t value in the Institutional Ownership variable is obtained at 3.601 with a significance value of 0.001 where the significance value is < 0.05 ($0.001 < 0.05$) which means that individually the variable of Institutional Ownership has a positive effect on Company Value. So that the third hypothesis in this study which states that Institutional Ownership has a positive effect on Company Value is accepted.

DISCUSSION

The Effect of Dividend Policy on Company Value

Based on the results of the t test in Table 4.8., it can be seen that the Dividend Policy variable has a positive and significant effect on the Company Value of banks in Indonesia listed on the Indonesia Stock Exchange (IDX). It can be known based on the value of the regression coefficient, which is 0.015 with a significance value of 0.039 where the significance value is < 0.05 ($0.039 < 0.05$). Dividend Policy has a positive and significant effect on Company Value which shows that the higher the company pays dividends to investors, the company's value will increase. With a high dividend distribution to shareholders, it will make investors' confidence in bank companies higher. So that these investors will be interested in investing their capital in the company, and this will have an impact on increasing the value of the company.

In addition, the results of this study are in accordance with signal theory where the dividend policy taken will be a positive signal for investors and investors can see how the company's financial condition. Then it will be one of the determinants for investors to invest, where this will then create supply and demand for company shares that will have an impact on the value of the company. The results of this study support research researched by Muzakir (2022) which states that there is a positive and significant relationship between Dividend Policy and Company Value. This identifies that dividend announcements are substantial information for investors.

The Effect of Profitability on Company Value

Based on the results of the t test in Table 4.8., it can be seen that the Profitability variable has a positive and significant effect on the Company Value of banks in Indonesia listed on the Indonesia Stock Exchange (IDX). It can be known based on the value of the regression coefficient, which is 1.823 with a significance value of 0.000 where the significance value is < 0.05 ($0.000 < 0.05$).

The results of this study indicate that each increase in the company's profitability has an influence on the value of the company. The significant positive influence of Profitability on Company Value occurs because in investing, investors see a large rate of return (Return On Assets) in making investment decisions. Decision making occurs because profit is a benchmark for the company's success, investors see that profit shows successful management in managing the company so that it makes the Company's Value rise.

Related to signal theory, namely the importance of information about company profitability can provide positive signals for investors in showing good company

performance. So that with a high level of profit, investors are interested in investing in the company, causing the stock price and company value to increase. With a larger net profit obtained, the company will certainly provide a positive signal for investors that the company is in a favorable condition. With high profitability means that the company is able to generate profits or profits that reflect the success of the company, so the demand for shares will also increase, and then followed by an increase in company value. So it can be concluded that the higher the profitability, the higher the company value. The results of this study are in line with research conducted by Audrey Putri (2021).

Institutional Ownership of Company Value

Based on the results of the t test in Table 4.8., it can be seen that the variable of Institutional Ownership has a positive and significant effect on the Company Value of banks in Indonesia listed on the Indonesia Stock Exchange (IDX). It can be known based on the value of the regression coefficient, which is 0.061 with a significance value of 0.001 where the significance value is < 0.05 .

This study shows that Institutional Ownership has a positive influence, this means that the existence of a high supervisory mechanism will minimize misappropriation that may be carried out by management so that it has an impact on decreasing company value. Institutional Ownership is the majority ownership of company shares owned by institutions. High institutional ownership can have an impact on the company's share price in the capital market so that Institutional Ownership can be a mechanism that can increase Company Value.

The results of this study are in line with Anggita et al., (2021), with the existence of Institutional Ownership, it is hoped that company management can work in accordance with the goals that have been set, not solely for personal interests, so that interested parties feel benefited. A high level of institutional ownership will encourage these institutional investors to undertake greater supervisory efforts as well. The results of this study are in accordance with agency theory, where basically companies are established to be sustainable and operate continuously in accordance with the principle of going concern. To maintain its extension in the market, of course, management must improve the company's performance to be able to compete with similar competitors. However, often in carrying out the company's operational activities, there are differences in interests between principals and agents that trigger agency conflicts. One way to minimize agency conflicts is by increasing Institutional Ownership

CONCLUSION

Based on the results of the research that has been done, several conclusions are drawn on testing the effect of Dividend Policy, Profitability, and Institutional Ownership on Company Value as follows:

1. The results of the first hypothesis partial test (H_1) show that the Dividend Policy variable has a positive and significant influence on Company Value, which means that dividends provide a reflection of the company's financial condition. The existence of dividends, the company's finances mean that it is good so that investors believe in placing their money in company shares that will have an impact on Company Value.
2. The results of the second hypothesis partial test (H_2) show that the variable Profitability has a positive and significant influence on Company Value, which means that Profitability can provide positive signals for potential investors and can determine company investment decisions in the bank sub-sector in Indonesia.

3. The results of the third hypothesis partial test (H_3) show that the variable Institutional Ownership has a positive and significant influence on Company Value, which means that high Institutional Ownership can have an impact on the company's stock price in the capital market so that Institutional Ownership can increase Company Value.

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