

**THE EFFECT OF DIVIDEND POLICY, DEBT POLICY, INSIDER  
OWNERSHIP ON FIRM VALUE IN JOKOWI ERA**

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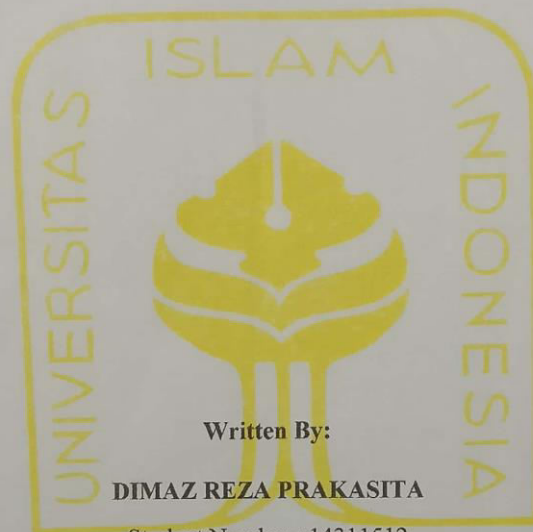
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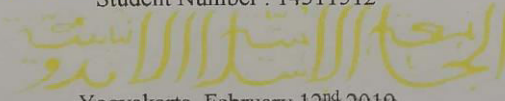
**THE EFFECT OF DIVIDEND POLICY, DEBT POLICY, INSIDER OWNERSHIP  
ON FIRM VALUE IN PERIOD OF JOKOWI**



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**THE EFFECT OF DIVIDEND POLICY, DEBT POLICY, INSIDER OWNERSHIP ON FIRM VALUE IN JOKOWI ERA**

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**ABSTRACT**

This study aims to measure the influence of dividend policy, debt policy, and insider ownership on the value of property, real estate and construction companies in the Jokowi era and before Jokowi era. The data were collected from the existence data before the period Jokowi in 2012 to 2014 and in the period of Jokowi in 2015 to 2017. The purposive sampling technique was conducted based on certain criteria. The multiple regression analysis using t-test was utilized to recognize whether there is significant of the independent variables towards dependent variable. The overall results of the study indicate that dividend policy and debt policy do not have a significant effect on firm value on both period. Insider ownership has a significant effect on firm value during the period of observation with probability (p-value) below the error rate of 5% but there is no significant difference in influence. It can be said that it has the same effect in both periods.

Keywords: Multiple Regression Analysis, PBV, DPR, DER, Insider Ownership, Jokowi era

## **THE EFFECT OF DIVIDEND POLICY, DEBT POLICY, INSIDER OWNERSHIP ON FIRM VALUE IN JOKOWI ERA**

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### **ABSTRAK**

Penelitian ini bertujuan untuk mengukur ada pengaruh kebijakan dividend, kebijakan hutang, dan kepemilikan insider pada nilai perusahaan property, real estate, and construction di periode presiden Jokowi dan sebelumnya. Periode pengamatan yang digunakan adalah dari tahun 2012 sampai 2017. Teknik pengambilan sampel dilakukan dengan teknik purposive sampling, yaitu pengambilan berdasarkan kriteria-kriteria tertentu. Untuk mengetahui ada tidaknya signifikansi dari antara variabel dependen dengan independen dilakukan dengan metode analisis regresi berganda menggunakan t-test. Hasil penelitian secara keseluruhan menunjukkan bahwa kebijakan dividend dan kebijakan hutang tidak berpengaruh signifikan pada nilai perusahaan, hal ini dibuktikan dengan tidak signifikannya nilai selama periode pengamatan. Pada kepemilikan insider berpengaruh signifikan pada nilai perusahaan selama periode pengamatan dengan probability (p-value) di bawah taraf kesalahan 5%, tapi tidak adanya perbedaan pengaruh yang signifikan atau memiliki pengaruh yang sama di kedua periode

**Kata kunci:** Multiple Regression Analysis, PBV, DPR, DER, Insider Ownership, Jokowi era

## I. INTRODUCTION

Property, real estate and construction companies are becoming sectors which are growing continuously. The need for housing and residential housing increased along with the increase in the population of Indonesia. The tendency of the Indonesian people to have a residence will certainly provide opportunities for property and real estate companies. Therefore many large and small companies in that sector developed.

Throughout Jokowi-Jusuf Kalla's reign of infrastructure development in Indonesia continued to increase, the government believes that even distribution of development by facilitating access for the distribution is the key to improve the economic welfare of the community. The government is collaborating with construction companies to achieve equality and the elimination of inter-regional economic inequality into two fundamental reasons for implementing massive infrastructure development from 2015 to the present.

Nowadays, in the competitive era of industrialization, every company must increase competitiveness continuously. It requires competition which requires companies in the real estate, property, and construction sectors to be able to grow and gain profits, by increasing the prosperity of owners or shareholders. This is because shareholder prosperity is achieved by maximizing the present value of all shareholder profits that are expected to be obtained in the future. Therefore, the higher the stock price shows the higher the value of the company, so that the prosperity of shareholders is also getting higher.

Firm value is often associated with stock prices, so the higher the stock price, the higher the value of the company and vice versa. The stock price is the price that occurs when shares are traded on the market. The higher stock price can be used as an indicator of shareholders' prosperity increase. The value of the company is generally measured by the Price to Book Value (PBV).

## II. LITERATURE REVIEW

### **Firm Value**

The value of firm is very important because higher firm's value in line with higher the prosperity of shareholders, (Brigham dan Houston, 2006). The higher stock price is higher firm value also. The desire of shareholders is increasing firm value because the increasing of firm value shows higher shareholders' prosperity. The wealth of shareholders and company is

presented by stock price as a reflection of investment decision, finance, and assets management.

### **Dividend Policy and Firm Value**

Signaling Hypothesis Theory that developed by Modigliani and Merton Miller in Bringham and Houston (2011), said that, if dividend increase above the expected amount is a signal for investors that company management may show good profits in the future. Decreasing dividends or increases in the amount of smaller profits than expected is a signal that management predicts bad future earnings. Managers often have more information about the prospect of dividends in the future compared to shareholders, so that dividend announcements will give a signal load or information about profits in the future.

### **Debt Policy and Firm Value**

This theory presented by MM shows that the capital structure does not affect the value of the company. The debt is not influenced by the capital structure. The arbitrage process arises because investors always prefer investments that provide the same net income at the same risk

### **Insider Ownership and Firm Value**

Jensen and Meckling (1976) state that, share ownership by management will reduce agency problems because the more shares owned by management, the stronger the motivation for working nature increases the value of the company. Jensen and Meckling argue that, there is a positive relationship between insider ownership and firm value.

### **Hypothesis Development**

#### **a. The Effect of Dividend Policy towards Firm Value**

Paminto et all (2016) said that dividend policy does not have a linear relationship with the firm value. The regression coefficient is 0.073 with significance level 0.402. This means that, dividend policy has no significant positive effect on firm value. It also means, DPR does not significantly influence PBV, because companies is less responding to the increased DPR as a positive signal and its in line with signaling theory. It also supported by Dzulkirom et all (2018) who said that dividend policy in the firm did not have significant effect toward firm value. This means that, dividend policy ratio in the firm did not affect investor's view about the firm. Contarcy with Gunawan (2018) said that, dividend policy have a significant positive effect on firm value. Dividend policy determines how much profit to be gained by shareholders. The gains of shareholders will determine the welfare of shareholders, who are the main objectives of the company. The greater the dividends distributed to shareholders, the better the

performance of listed companies and in the end the company has performed a good insider considered beneficial and of course an assessment of the company will be the better, which is usually reflected by the level of its share price.

**H1<sub>a</sub>: Dividend Policy has positive significant impact toward Firm Value before Jokowi's era.**

**H1<sub>b</sub>: Dividend Policy has positive significant impact toward Firm Value in Jokowi's era.**

**H1<sub>c</sub>: There is difference in the significant effect of Dividend Policy on Firm Value in between Jokowi's era and before Jokowi's era**

**b. The Effect of Debt Policy towards Firm Value**

Investors are more preferable to use debt to equity ratio (DER) as an indicator of capital structure in manufacturing. Therefore, firm value will be influenced by essential elements of capital structure especially in Indonesia. The result will be seen by the increasing firm's performance by balancing the cost. Moreover, management will be able to gather the profit while still receive benefit. A high firm value will attract investors to invest in these firms and will improve the firm's operations as the result. This result is in line with the trade-off theory where increasing debt by balancing cost and benefits will enhance the firm value (Uzilawati et al, 2018).

Research conducted by Paminto et al (2016) stated, capital structure has a linear relationship with the firm value. The regression coefficient of capital is - 0.477, with significance level 0.000. This means that, capital structure has negative significant effect on the firm value. This shows that, if the capital structure (DER) is increased by one unit, the corporate value (PBV) will decrease by 0.477 units and vice versa. If DER is higher, then PBV will be smaller. Arijit (2008) show that, the use of leverage is turned out to have a negative impact on opportunity increase in the value of the company in the future.

**H2<sub>a</sub>: Debt Policy has positive significant impact toward Firm Value before Jokowi's era**

**H2<sub>b</sub>: Debt Policy has positive significant impact toward Firm Value in Jokowi's era**

**H2<sub>c</sub>: There is difference in the significant effect of Debt Policy on Firm Value in between Jokowi's era and before Jokowi's era**

### c. The Effect of Insider Ownership towards Firm Value

Putranto, P (2018) proved that, insider ownership has a positive and significant effect on firm value. If the insider ranks share the company's shares, then the performance dedicated to the company will be multiplied by the outpouring and the totality of their professionalism will be explored so that in turn will lift firm value. Hidayah, N (2014) also proves that, insider ownership has positive and significant influence on firm value. The portion of shares held by insider policy will affect the company to meet the company's goal which is to obtain profits for shareholder wealth, the manager should be able to avoid the risk of causing shareholders that will no longer choose a manager who fails to perform its functions, the policy manager that aims to provide wealth for shareholders by itself will increase the value of the company.

Nevertheless, Rasyid, A (2015) said that, ownership structure does not have significant effect on company's value, but company size and profitability significantly affect on company's value. Suastini, N. M. (2016) said that, insider ownership has a negative and significant effect on firm value. This means that high insider ownership will reduce the value of the company.

**H3<sub>a</sub>: Insider ownership has positive significant impact toward firm value before Jokowi's era**

**H3<sub>b</sub>: Insider ownership has positive significant impact toward Firm Value in Jokowi's era**

**H3<sub>c</sub>: There are differences in the significant effect of insider ownership on Firm Value in between Jokowi's era and before Jokowi's era**

## III. RESEARCH METHODS

### Population and Samples

The sampling technique was done by purposive sampling method. Its characteristics are property, real estate, and construction industry which listed in Indonesia Stock Exchange (IDX) , in the period of 2012-2017

**Table 1**  
**List of Samples**

Year		Property, Real Estate and Building Construction
Before	2012	56
Jokowi's	2013	57



era	2014	63
In Jokowi's era	2015	63
	2016	63
	2017	64
Total		366

### Source of Data

The data were collected from Indonesia Stock Exchange (IDX) website (<http://www.idx.co.id/>)

### Operations Definition Research Variables

#### a. Firm Value

In this study, the value of the company defines as price to book value as a dependent variable. To calculate the price to book value, the market price of a share divided by the book value per share (book value stock). According to Brigham and Huston (2011), price book value (PBV) was formulated as follows:

$$\text{Price to Book Value} = \frac{\text{Market Price per Share}}{\text{Book Value per Share}} \times 100\%$$

#### b. Dividend Policy

Dividend policy is a policy that produces a balance between current dividends, future growth and maximizes the company's share price. According to Bringham and Houston (2011), the formula of Dividend Policy is

$$\text{Dividend Payout Ratio} = \frac{\text{Dividend Per Share}}{\text{Earnings Per Share}} \times 100\%$$

#### c. Debt Policy

DER is the ratio used to evaluate a company's financial leverage. The debt/equity ratio is also referred to a risk or gearing ratio. The formula for calculating the DER is:

$$\text{Debt to Equity Ratio} = \frac{\text{Total Liabilites}}{\text{Total Shareholder's Equity}} \times 100\%$$

#### d. Insider Ownership

Insider ownership is management that actively participates in the decision making of both commissioners and directors. Insider ownership can be formulated as

$$\text{Insider Ownership} = \frac{\text{Share Ownership of Directors + Commissioners + Management}}{\text{Total of Outstanding Shares}} \times 100\%$$

#### e. Dummy

Dummy variable is used as a differentiating variable between property companies, real estate, construction in the Jokowi era and before the Jokowi era. The problem faced is the difference in independent variables in property, real estate, and construction in the Jokowi era with the era before Jokowi. Then in the regression model, the variable must be expressed as a dummy variable by giving the code 0 (zero) to before the Jokowi era or 1 (one) to the Jokowi era. Each dummy variable represents one category of independent variables. In the regression model used, variable D is an intercept variable.

### Hypothesis Testing

#### a. Multiple Regression Analysis

$$FV_i = \alpha_0 + \beta_1 DPR_i + \beta_2 DER_i + \beta_3 INSDR_i + \beta_4 DDP R_i + \beta_5 DDER_i + \beta_6 INSDR_i$$

#### b. t-Test

Individual Parameter Significance Test (t Test) test basically shows how far the influence of an explanatory variable or individually independent in explaining the variation of the dependent variable (Ghozali, 2006).

Based on the significance t-value (define significant level ( $\alpha$ ) = 5%):

1. If probability  $\leq 0.1$ , then  $H_0$  is rejected and  $H_a$  is accepted which means that there is an abnormal return.
2. If probability  $\geq 0.1$ , then  $H_0$  is accepted and  $H_a$  is rejected which means that there is no abnormal return.

**c. F-test**

The F statistical test basically points to whether all the independent or independent variables included in the model have a joint effect on the dependent variables (Ghozali, 2006).

**IV. RESULT**

**The Effect of Dividend Policy towards Firm Value**

The results of this study indicate that dividend policy does not significantly influence the value of the company in the Jokowi era and before the Jokowi era. This means that the high or low dividend policy of the company does not give an influence on the value of the company in the Jokowi era and before. Then, Hypothesis  $H_{a1}$ ,  $H_{b1}$ ,  $H_{c1}$ , is rejected. Based on the data collected, most of the company does not pay their dividend in period from 2012 to 2017. Therefore, the data are not reliable and does not significantly affect the firm value on the Jokowi era and before the Jokowi era. Based on the Signaling theory hypothesis, companies respond slowly to a dividend increase giving a slow change in company value. It is also stated by Bringham and Houston (2011) who said that, the company is only determine by its basic ability to generate profits and business risk. The condition of global market or we may say that the condition of our currency is getting lower in Jokowi era, it also makes that the company is hard to increase their profit in according to distribute their dividend to shareholders. The results of this study support the research of Paminto et all (2016) and Dzulkirom (2018), but it contracy with research conduct by Gunawan (2018) and Amidu (2007).

**The Effect of Debt Policy towards Firm Value**

The results of this study indicate that debt policy does not significantly influence the value of the company in the Jokowi era and before Jokowi era. This means that the high or low debt policy of the company does not have an influence on the value of the company in the Jokowi era and before. Then, Hypothesis  $H_{a2}$ ,  $H_{b2}$ ,  $H_{c2}$ , is rejected. Based on MM theory, capital structure does not affect the firm value. The arbitrage process arises because investors always prefer investments that provide the same net income at the same risk. It means that the firm value will increase, if the company can maximize the profitability while there is no using debt. It may also happens because the governmet can not pay off in full because the project is funding by the debt to world bank and will be change by their income from the project in several years later.

**The Effect of Insider Ownership towards Firm Value**

The results of this study indicate that insider ownership has positive significant effect on firm value on Jokowi era and before Jokowi era. However, hypothesis  $H_{a3}$  is rejected, it means the difference effect level of Jokowi era and before Jokowi era not significantly difference or just same level. It is happened because the condition of economic was stable and managements can give good performance so they can maximize their profit. However, unstable economic conditions had an impact on companies' performance in Jokowi era. The management cannot give their best performance so there is no difference effect between Jokowi era and before Jokowi era. It also influenced by the political condition that happens in Jokowi era is more unstable than before Jokowi era. It makes that the management cannot maximize their profit because the political condition of this country is more unstable than before. The results of this study support the theory of Jensen and Meckling (1976) state that insider ownership will reduce the risk of working at a higher level of company. Jensen and Meckling also said that there is a positive relationship between insider ownership and firm value.

## V. CONCLUSIONS AND RECOMMENDATIONS

Dividend policy has no significant effect on the value of property, real estate and construction companies listed on the Indonesia Stock Exchange in Jokowi era and before Jokowi era, because the majority of companies do not pay dividends making the data unreliable. Therefore, there is no difference in the effect of dividend policy on the value of property, real estate and construction companies listed on the Indonesia Stock Exchange in Jokowi era and before Jokowi era

Debt policy has no significant effect on the value of property, real estate and construction companies listed on the Indonesia Stock Exchange in Jokowi era and before Jokowi era. Because, investors prefer companies that can generate net profits with a lower level of risk causing no influence on company value. Therefore, there is no difference in the effect of debt policy on the value of property, real estate and construction companies listed on the Indonesia Stock Exchange in Jokowi era and before Jokowi era

Insider ownership has a significant effect on the value of property, real estate and construction companies listed on the Indonesia Stock Exchange in the period of Jokowi and before Jokowi era. However, the difference in the effect level of Jokowi era and before Jokowi era not significantly difference or just same level. It may happen because of the economic condition more stable before Jokowi era than Jokowi era and the management before Jokowi era can perform better to manage its company for increasing profitability which will increase its value. Therefore, there is no significant difference in the effect of insider ownership on the value of property, real estate and construction

companies listed on the Indonesia Stock Exchange in the period of Jokowi era and before Jokowi era.

There are several suggestion for next researchers, such as add other variables that affect capital structure, company size and profitability and expected to add the study period and the number of companies.

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