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Analysis of the Influence of Ownership Structure, Company Growth, Dividend Policy, and Profitability on Firm Value (Empirical Study of Food and Beverage Subsector Manufacturing Companies Listed on the Indonesia Stock Exchange from 2017 to 2021)

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ABSTRACT: The managers of a company (managers) around the world in the world's tightest economic competition are now required to consistently and sustainably increase the value of the company, because increasing the value of the company will have an influence on investors' opinions of the company. On this basis, this study aims to prove empirically whether the value of the company is influenced by factors that have been determined by the researcher, namely ownership structure, company growth, dividend policy, and profitability in food and beverages sub-sector companies listed on the Indonesian stock exchange in the range 2017-2021 time. The sampling method used in this research is the purposive sampling method which produces a total of 55 samples and the data samples undergo transformation and outliers so that the remaining 42 valid data samples are used. Data were analyzed using multiple regression techniques. The results of this study indicate that ownership structure, company growth, and dividend policy have no effect on firm value while profitability has a significant effect on firm value.

KEYWORDS: Ownership Structure, Company Growth, Dividend Policy, Profitability, and Firm Value.

I. INTRODUCTION

A company's management can be considered successful in fulfilling this demand if the management's decisions can enhance the company's value and bring prosperity to the shareholders over time. The value of a company is influenced by various factors, ranging from the management's decisions such as dividend policy, capital structure, and ownership structure, to external factors such as investors' opinions of the company at present.

The concept of firm value itself, according to Harmono (2018), refers to the company's share price, which is determined by the supply and demand in the capital market, reflecting the public's evaluation of the company's performance. This research will focus on the issue of the demands received by management in increasing the company's value. This will lead management to utilize various strategies to enhance the company's value, although the company's value itself is influenced by various aspects and factors.

II. THEORETICAL BASIS

A. Agency Theory

The Agency Theory states that there is a delegation of authority given to the management of a company (the agent) to act in the best interest of the principal, who are the owners of the company. However, the separation between ownership and management in a company can lead to conflicts, which are referred to as agency problems. Agency problems arise because the principal, who provides the contract, and the management of the company, who accepts the contract, have conflicting interests. Agency problems are more likely to occur in companies where management does not have full control over decision-making (Sartono, 2015).

B. Signaling Theory

Signaling Theory is a theory that suggests that signals provide information about the company's condition to investors as a responsibility of the company's management. Profit and loss for a company are news in the capital market that act as signals to investors. Profit serves as a positive signal that attracts investors, while loss is a negative signal that may cause investors to withdraw (Ratih & Damayanthi, 2015) (Lanawati & Amilin, 2015).

C. Firm value

Firm value is a perception-based value created by investors (the market) regarding the company's performance, which leads to supply and demand dynamics and determines the stock price. According to Weston & Copeland (2008), the most effective parameter to measure firm value is valuation, as it indicates the risk-return ratio. The market value ratio consists of three ratios: price-to-earnings ratio (PER), price/cash flow ratio, and price-to-book value ratio (PBV). PER calculates the price per share divided by the earnings per share, while the price-to-cash flow ratio is calculated by dividing the price per share by the cash flow per share. Price-to-book ratio is the ratio between the market price of a company's stock and its book value.

D. Ownership Structure

A company has a specific ownership structure, which helps reduce conflicts between company management and shareholders. This structure includes managerial ownership, institutional ownership, and public ownership. Managerial ownership refers to the situation where managers of the company own shares in the company, effectively being both managers and shareholders (Christiawan & Tarigan, 2007).

E. Company Growth

Company growth refers to how well a company is positioned within the overall economic system or within the same industry. Company growth is eagerly anticipated by those involved in the company, both internally and externally. This is because company growth can signal positive aspects of a company.

F. Dividend Policy

Dividends can be defined as the distribution of a company's net earnings to its shareholders by the General Meeting of Shareholders with the approval of the shareholders. Dividend policy is the policy that determines the percentage of profits received by the company that can be distributed to shareholders in proportion to their share ownership.

G. Profitability

According to Brigham & Houston (2019), profitability is the end result of a series of policies and decisions made by the company's management. According to Harmono (2018), profitability reflects the fundamental performance of a company, considering its level of operational efficiency and effectiveness in generating profits. Profitability represents the company's ability to generate and earn net income from its operations during an accounting period. Investors and shareholders expect further growth in earnings, which consist of revenue and capital gains. Therefore, the higher a company's ability to generate profits, the higher the expected return rate for investors in order to increase shareholder value.

III. DEVELOPMENT OF HYPOTHESES

A. The Influence of Ownership Structure on Firm value

The managerial ownership structure of a company can lead to agency conflicts that can affect the company's value. These conflicts indirectly motivate the company's management to increase the stock price, as a higher stock price will enhance the company's value and benefit managers who own shares.

H1: Ownership Structure has an Influence on Firm value.

B. The Influence of Company Growth on Firm value

Positive company growth signals future development to investors. This can lead to an increase in stock price as investors are interested in investing in companies with positive growth signals. The rise in stock price, in turn, affects the company's value.

H2: Company Growth has an Influence on Firm value.

C. The Influence of Dividend Policy on Firm value

A favorable dividend policy by the company's management sends a positive signal to investors, particularly regarding an increase in the company's stock price. A good dividend policy attracts the attention of investors, indirectly contributing to the company's value.

H3: Dividend Policy has an Influence on Firm value.

D. The Influence of Profitability on Firm value

Higher profitability signals a positive outlook for investors to invest in the company, which can result in an increase in the company's stock price. This increase in stock price affects the calculation of the company's value.
H4: Profitability has an Influence on Firm value.

IV. RESEARCH METHODOLOGY

Population and Sampling Technique

The population of this study consists of all manufacturing companies in the food and beverage subsector listed on the Indonesia Stock Exchange from 2017 to 2021. The sample is taken from a specific population using purposive sampling, a sampling method based on specific criteria (Chandrarin, 2021). The total sample collected, which met the predetermined criteria, is 11 companies out of a total population of 74 companies within the food and beverage subsector.

V. RESULTS AND DISCUSSION

A. Results

Variable Y indicates the highest value (maximum) of 6.240518, which is found in PT Trigakarsa Satria Tbk. in 2017, and the lowest value (minimum) of 0.478845, which is found in PT Salim Ivomas Pratama Tbk. in 2021, with an overall average value of 2.445832. Variable X1 shows that the highest value (maximum) is 0.484549, found in PT Ultrajaya Milk Industry & Trading Company Tbk. in 2021, and the lowest value (minimum) is 0.000040, found in PT Salim Ivomas Pratama Tbk., with an average value of 0.08229598.

Variable X2 shows that the highest value (maximum) is 0.735218, found in PT Provident Argo Tbk. in 2020, and the lowest value (minimum) is -0.949489, found in PT Tunas Baru Lampung Tbk. in 2017, with an average value of 0.08548829. Variable X3 shows that the highest value (maximum) is 2.721286, occurring in PT Sawit Sumbermas Sarana Tbk. in 2018, and the lowest value (minimum) is -2.3177, occurring in PT Provident Argo Tbk. in 2018, with an average value of 0.34964. Variable X4 shows that the highest value (maximum) is 0.517699, occurring in PT Provident Argo Tbk. in 2020, and the lowest value (minimum) is -0.069166, occurring in PT Provident Argo Tbk. in 2018, with an average value of 0.1482.

The significance value of the Kolmogorov-Smirnov test is 0.178, which is greater than 0.05, the predetermined criteria. Therefore, it can be concluded that the data is normally distributed and suitable for use in this study because it meets the predetermined criteria, where the calculated significance value must be greater than 0.05. The Durbin-Watson (DW) value is 0.914. According to the table, the DW value of 0.914 falls between 1.7681 and 2.2319, indicating the presence of autocorrelation in the regression model and that the regression model is not suitable for this study.

Due to the presence of autocorrelation, the researcher conducted outlier analysis on the data used. Outlier data refers to occurrences or phenomena where the data used have unique and extreme characteristics that are far from other data observations, either as single variables or combined variables. (Ghozali, 2018). After removing 13 outlier data points and validating the sample size to 42 data points, the DW value becomes 1.310, the dU value is 1.7814, and the 4-dU value is 2.2186. The result is 1.310 < 1.7814 < 2.2186, indicating that the regression model still exhibits autocorrelation and is not suitable for use.

After addressing the issue of autocorrelation through outlier analysis and finding it still present in the regression model, the researcher performed data transformation. Data transformation is done when the data used in the study deviate from normal distribution in order to achieve normal distribution. (Ghozali, 2018). The DW value is 1.840, the dU value is 1.7814, and the 4-dU value is 2.2186. The result is 1.7814 < 1.840 < 2.2186, indicating the absence of autocorrelation in the regression model and that the regression model is suitable for use in the study.

The scatter plot shows no specific pattern (random) in the dispersion of data points and a good spread. This satisfies the criterion for the absence of heteroscedasticity. The Glejser test resulted in a significance value of 0.635, which is greater than 0.05. This satisfies the criterion for the Glejser test, where the significance value should be greater than 0.05. According to the multicollinearity test, it can be concluded that there is no multicollinearity among the variables in the regression model, making the regression model suitable and valid for further research.

The test results show that the Adjusted R-Square (R2) value is only 0.184 or 18.4%, which is close to zero. This indicates that the explanatory power of the independent variables (ownership structure, company growth, dividend policy, and profitability) in explaining the dependent variable (firm value) is limited. Based on the F-test result, the significance value for the independent variables (managerial ownership, company growth, dividend payout ratio, and return on equity) on the dependent variable (firm value) is 0.020, which is smaller than 0.05. This satisfies the criterion where the significance value of the F-test should be less than 0.05.

Table 1. T-Test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.743	0.326		2.277	0.029
	LAG_X1	3.102	1.968	0.236	1.576	0.123
	LAG_X2	-0.201	1.233	-0.024	-0.163	0.872
	LAG_X3	0.459	0.736	0.095	0.624	0.537
	LAG_X4	6.757	2.916	0.365	2.318	0.026

a. Dependent Variable: LAG_Y

Based on the results of the t-test, the following conclusions can be drawn:

1) The Influence of Ownership Structure on Firm value
   The t-test results show that the significance value of the X1 variable (Ownership Structure) is 0.123, which is greater than 0.05. This does not meet the criteria where the significance value of the t-test should be less than 0.05. Therefore, it can be concluded that the hypothesis (H1) proposed by the researcher in this study, which states that the ownership structure does not have an influence on firm value, is supported.
2) The Influence of Company Growth on Firm value
   The t-test results show that the significance value of the X2 variable (Company Growth) is 0.872, which is greater than 0.05. This does not meet the criteria where the significance value of the t-test should be less than 0.05. Therefore, it can be concluded that the hypothesis (H2) proposed by the researcher in this study, which states that company growth does not have an influence on firm value, is supported.
3) The Influence of Dividend Policy on Firm value
   The t-test results show that the significance value of the X3 variable (Dividend Policy) is 0.537, which is greater than 0.05. This does not meet the criteria where the significance value of the t-test should be less than 0.05. Therefore, it can be concluded that the hypothesis (H3) proposed by the researcher in this study, which states that dividend policy does not have an influence on firm value, is supported.
4) The Influence of Profitability on Firm value
   The t-test results show that the significance value of the X4 variable (Profitability) is 0.026, which is smaller than 0.05. This meets the criteria where the significance value of the t-test should be less than 0.05. Therefore, it can be concluded that the hypothesis (H4) proposed by the researcher in this study, which states that profitability has a significant influence on firm value, is supported.

B. Discussion of Research Results

1) The Influence of Ownership Structure on Firm value

Based on the hypothesis testing conducted by the researcher, it is found that the independent variable of ownership structure, represented by managerial ownership ratio, does not have a significant influence on the dependent variable of firm value. This indicates that the level of managerial share ownership does not significantly affect the management's desire to increase the stock price, and ultimately, the firm value.

2) The Influence of Company Growth on Firm value

Based on the hypothesis testing conducted by the researcher, it is found that the independent variable of company growth, represented by the growth ratio, does not have a significant influence on the dependent variable of firm value. This indicates that the level of company growth does not significantly affect the investors' desire to invest in the company, which would lead to an increase in the stock price and ultimately, the firm value.

3) The Influence of Dividend Policy on Firm value

Based on the hypothesis testing conducted by the researcher, it is found that the independent variable of dividend policy, represented by the dividend payout ratio, does not have a significant influence on the dependent variable of firm value. This indicates that the amount of dividends distributed by the company's management to the investors does not significantly attract new investors or increase the desire of potential investors to invest in the company, resulting in an increase in the stock price and ultimately, the firm value.

4) The Influence of Profitability on Firm value

Based on the hypothesis testing conducted by the researcher, it is found that the independent variable of profitability, represented by the return on equity ratio, has a significant influence on the dependent variable of firm value. This indicates that the ability of a company to generate net profit from its equity significantly attracts new investors or increases the desire of potential investors to invest in the company, leading to an increase in the stock price and ultimately, the firm value.

VI. CONCLUSION

Based on the analysis and discussion of the data, the following conclusions can be drawn:

1) Ownership structure, represented by managerial ownership ratio, does not have a significant influence on firm value. The significance value is 0.123, which is greater than 0.05, indicating that it does not meet the criteria.
2) Company growth, represented by the growth ratio, does not have a significant influence on firm value. The significance value is 0.872, which is greater than 0.05, indicating that it does not meet the criteria.
3) Dividend policy, represented by the dividend payout ratio, does not have a significant influence on firm value. The significance value is 0.537, which is greater than 0.05, indicating that it does not meet the criteria.
4) Profitability, represented by the return on equity ratio, has a significant influence on firm value. The significance value is 0.026, which is smaller than 0.05, indicating that it meets the criteria.

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