

The Effect of Leverage, Liquidity, Profitability, Firm's Growth, Firm's Size, and Dividend Policy toward Firm Value (Study at Manufacture Companies Listed on Indonesia Stock Exchange Period 2014-2017)

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Abstract

This study aims to analyze the leverage (DER), liquidity (CR), profitability (ROE), firm growth (sales growth), firm size (Ln Total Asset), and dividend policy (DPR) on firm value (PBV) at manufacturing company listed on the Indonesia Stock Exchange for the period of 2014 – 2017. The population in this study were 177 companies. The sample used in this study were 10 companies. Sample were taken by purposive sampling method. Data in this study were analyzed with multiple linear regression. The result showed that leverage (DER) has negative and significant on firm value (PBV), liquidity has no effect on firm value (PBV), profitability (ROE) has positive and significant effect on firm value (PBV), firm growth (sales growth) has positive and significant effect on firm value (PBV), firm size (Ln of total asset) has positive and significant effect on firm value (PBV), and dividend policy (DPR) has no effect on firm value (PBV).

Keywords

Debt to Equity Ratio (DER), Current Ratio (CR), Return On Equity (ROE), Dividend Payout Ratio (DPR), and Price To Book Value (PBV)

INTRODUCTION

Industry sector one of the sectors playing an important role in improving national economy. The growth of Indonesian economy was supported by the contribution of manufacture industry sector accounted for 20 percent. Based on the data of BPS (Central bureau of Statistics) during year 2017, manufacture sector contributed Rp2.739,4 trillion or 20.1 percent to Gross Domestic Product. It decreased slightly compared to the previous year, 2016, contributing about 20.5 percent to Indonesian Gross Domestic Products.

In addition, referring to data provided by Indonesian Ministry of Industry (Kemenperin) manufacture industry contribution during year 2015 reached Rp2.097,71 trillion or 18.1 percent to national GDP. This number increased from year 2014 because manufacture sector contributed 17.8 percent or Rp1.884 trillion and giving the highest contributor to GDP among agriculture sector (13.4 percent to GDP), and trade (13 percent to GDP). Therefore, manufacture sector became more interesting to be studied

because it continued constantly being able to enhance Indonesian economy growth.

Companies are able to play a crucial role in enhancing national economy growth by achieving the goal of companies well. Maximizing the value of them is acknowledged as the goal of company especially for the profit orientation companies. (Weston and Copeland, 1997), Brigham (1991: 14) also stated that the main objective of Business Company is to maximize the stockholder's welfare by maximizing stock price. Therefore, in making decision, its management should only act what it is expected to increase the stock price (Gitman, 2012: 9). The qualification of good company was reflected by the high of stock price (Indasari and Yadnyana, 2018), because investors tend to look only at the movement of stock price obtained from companies stock prices traded at stock exchange.

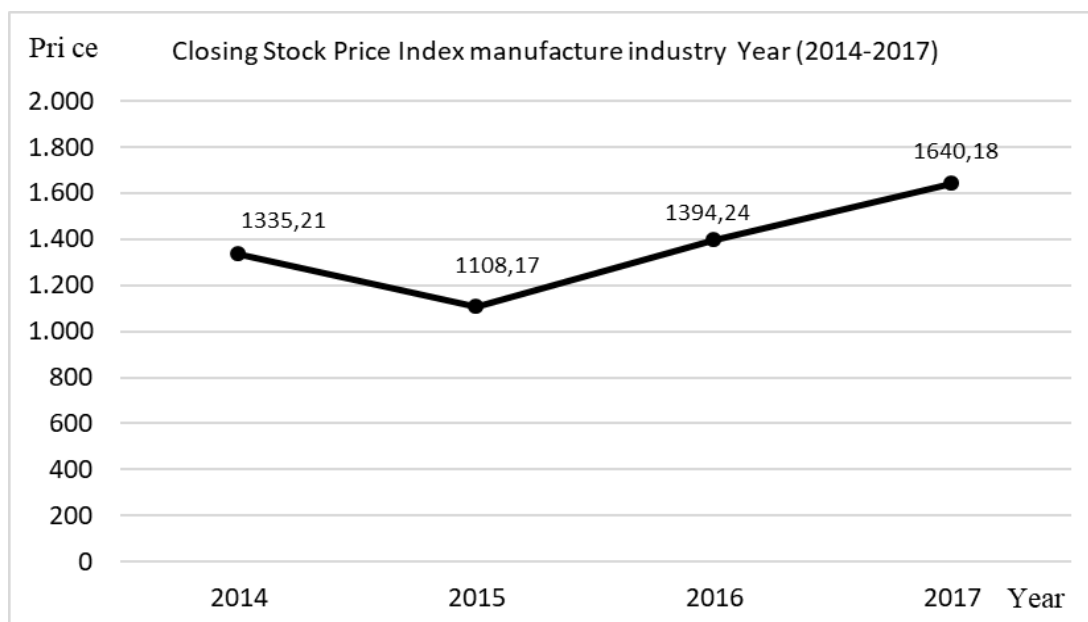


Figure 1. Closing stock price index manufacture industries Year 2014-2017

Source: www.idx.co.id (data processed)

The Figure 1 showed the value of closing price of stocks year 2015 decreased 17.01 percent. Meanwhile, two years later the price of stocks increased significantly. Stock price became a benchmarking for investors to invest their capital by buying stocks classified as manufacture sector.

Firm value can affect investors' perception. The value of the firm is the firm performance shown by stock prices formed by supplies and demands in stock market reflecting investors' perception of firm's performance (Harmono, 2011: 233). (Emery R. and Finnerty, 1997)

There are factors being able to affect the performance of firm such as leverage, liquidity, profitability, company, companies' size and dividend policy. The researches covering leverage and firm value were done by et al. (2016). They found that the leverage negatively and significantly affected to the value of the firm. Then, the research result done by Nuraeni et al. (2016), Sadi'ah (2018), and Rahmanto et al. (2018) showed that leverage did not influence significantly toward value of the firm. Different from the research done by Rudangga and Sudiarta (2016) stating that leverage affected positively and significantly toward the value of the firm.

The next factor that is able to influence firm value is liquidity. The liquidity is a ratio showing the correlation between

cash and other current assets and current liability.

According to Marsha and Murtaqi research (2017), liquidity measured by using quick ratio (QR) negatively and significantly affected firm value. Meanwhile, by using current ratio (CR) as proxy, liquidity affected positively and significantly on firm value that was in line with the result of the research done by Gunawan, et al. (2018). Different from the result of research conducted by Indasari and Yadnyana (2018) showing that liquidity did not influence significantly on value of the firm.

Then, variable that can influence the value of the firm is profitability. It is a ratio used to know the firm's ability in gaining profit during given period through source owned by company. The researches related to profitability and firm value are researches conducted by Marungu (2014), Nuraeni et al. (2016), Rudangga and Sudiarta (2016), Hasibuan et al. (2016), Marsha dan Murtaqi (2017), Dhani and Utama (2017), Sadi'ah (2018), Gunawan et al. (2018), Rahmanto et al. (2018), Indasari and Yadnyana (2018) mentioning that profitability influenced positively and significantly on value of the firm. However, the result of research done by Rahmanto et al. (2018) using ROA as well to measure profitability stated that profitability did not influence firm value significantly.

The firm value is affected also by the growth of company. According to Weston and Copeland (1995: 243), the growth of firm reflects the ability of firm in enhancing expansion its operation seen from the growth of revenue. This research that relates to firm growth is a research conducted by Dhani Indasari and Yadnyana (2018) stating that firm's growth affected positively and significantly on firm value. On the other hand, researches done by Marungu (2014), and Dhani & Utama (2017) stating that the growth of company did not influence value of the firm.

Investors tend to be interested in big scale of the firm. According to Panggabean and Prasetyono (2017), firm size affects stock exchange. The accessibility to the stock market is likely to be much easier. If the company is getting bigger it would be able to be easier in getting funds by going public. The company is able to issue its stocks through stocks exchange indicating the company is healthy or having good performance

As a result, that research proved that firm size affects firm value positively and significantly. The same result was shown by research conducted by Rudangga and Sudiarta (2016). Whereas Nuraeni et al. (2016) and Rahmantio et al., (2018) argued that firm size did not significantly affect firm value.

The last variable affecting firm value is dividend policy. It correlates with company decision concerning whether the income earned by company would be paid to investors as dividends or would be put to the company as retained earnings that will be used for operation, paying debts or to do expansion. Value of the firm can be seen as the ability of company in paying dividend (Gunawan, 2018).

The previous research conducted by Gunawan et al. (2018), Panggabean and Prasetyono (2017), and Sadi'ah (2018) showed that dividend policy influenced positively and significantly on firm value. However, research done by Marungu (2014) stated that dividend policy did not affect significantly on firm value.

Based on the background explanation can be concluded that manufacture sector is important to be studied because it consistently increased being able to support Indonesian economy. In addition, various researches related to firm value are still debatable. Because firm value is crucial for lot of parties, the writers were interested in

doing research entitled "The effect of Leverage, Liquidity, Profitability, Company Growth, Firm Size, and Dividend Policy toward firm value (Study on manufacture companies listed at Indonesia Stock Exchange period 2014-2017).

Research Hypothesis

H1 : Leverage affects negatively on firm value

H2 : Liquidity influences positively toward firm value

H3 : Profitability affects positively on firm value

H4 : The growth of firm affects positively toward the value of the firm

H5: Firm size influences positively on firm value

H6: Dividend policy affects positively on firm value

METHODS

Type of Research

This research is an associative causality research. It aims to know the correlation and causality of variables and the phenomena of dependent variable and independent variables (Gujarati, 2005).

Population and Research Sample

Population in this research are manufacture companies listed at Indonesian Stock Exchange. Period year 2014 – 2017 which are 177 companies. This research used purposive sampling method. It took samples based on given consideration. Samples in this research were based on some criteria as follows as:

1. Manufacture companies listed at Indonesia Stock Exchange during period year 2014 – 2017.
2. Companies reporting financial statement during period year 2014 – 2017 completely and regularly.
3. Companies having positive growth ratio during period year 2014-2017.
4. Companies distributed dividend consecutively during period year 2014-2017.
5. Financial reporting used rupiah currency (Rp) during period year 2014 – 2017.

Type and Source of Data

This research used secondary data. It refers to data collected by someone rather than the primary user. Common sources of secondary data for social science include censuses, information collected by government departments, organizational records and

data originally collected for other research purposes (Suliyanto, 2005). Secondary data in this research were collected from financial reporting of manufacture companies provided by Indonesia Stock Exchange (www.idx.co.id) year 2014-2017.

Data Collection Technique

Technique in collecting data in this research is literature study. It is done by collecting theories, concept obtained from various sources such as text book, articles/journals and other scientific writings supporting this study as the basic of this study. In addition, this research used documentation technique by collecting secondary data in the form of annual financial report published by Indonesian stock exchange consecutively during 2014 – 2017 (www.idx.co.id).

Data Analysis Technique

1. Descriptive Statistics Analysis

Descriptive Statistics Analysis was used to analyze data by describing or elaborating data that have been collected without making conclusion generally accepted (Sugiyono, 2016: 147).

2. Multiple Regression Analysis

Regression analysis involves study concerning correlation between one variable called as dependent variable and another one as independent variable (Gujarati, 2007: 115). Meanwhile, multiple linear regression consisting more than one independent variables used to explain the behavior of dependent variables.

(Gujarati, 2006: 125). Regression Model in this research can be explained in the equation as follows as:

$$Y_i = B_0 + B_1X_{1i} + B_2X_{2i} + B_3X_{3i} + B_4X_{4i} + B_5X_{5i} + B_6X_{6i} + u_i$$

Notes:

Y =Firm value

B0 = Constant

B1,B2,B3,B4,B5,B6 = Parameter of each variable

X1 = Leverage

X2 = Liquidity

X3 = Profitability

X4 = Company growth

X5 = Firm size

X6 = Dividend policy

3. Classical Assumption Test

a. Normality test

Normality test is used to determine if data set is well-modeled by normal distribution and to compute how likely it is for a random

variable underlying the data set to be normally distributed. Standardized residual value having normal distribution if described by bell-sharped curve that both sides spread till infinite. (Suliyanto, 2011:69).

In this research, normality test used Kolmogorov-Smirnov test which is normality test used cumulative distribution function. Standardized residual value having normal distribution if K calculated < K table or value Sig. > α (Suliyanto, 2011: 75), (Gujarati, 2005).

b.Multicollinearity Test

Multicollinearity occurs when independent variables in regression model are correlated. This correlation is a problem because independent variables should be independent. If the degree of correlation between variables is high enough, it leads to problems when someone fit the model and interpret the result. (Suliyanto, 2011:82), (Gujarati, 2005).

In this research, Multicollinear used value TOL (tolerance) and Variance Inflation Factor (VIF) from each independent variables and dependent variable. If the value of VIF < 10, thus model is stated no multicollinearity occur (Suliyanto, 2011:90), (Gujarati, 2005).

c.Heteroscedastisity Test

Heteroscedastisity happens when standard deviation of a predicted variable, monitored over different values of an independent variable or as related to prior time period, are not constant.

In this research, heteroscedastisity test used Glejser method by regressing all independent variables on the residual absolute value. If there is the significant effect of independent variable on its residual absolute value, it means there is heteroscedasticity problem.

If the value of Sig > α, thus, it can be concluded that the model did not have any heteroscedasticity problem or can be stated no heteroscedasticity occur if t calculation < t table (Suliyanto, 2011: 98), (Gujarati, 2005).

d.Autocorrelation Test

Autocorrelation refers to the degree of correlation of the same variables between two successive time intervals. It measures how the lagged version of the value of a variable is related to original version of it in a time series (Suliyanto, 2011:126), (Gujarati, 2005).

In this research, autocorrelation used Durbin Watson method (Uji D-W) aiming to test whether autocorrelation exist from

empirical model estimated (Suliyanto, 2011:126), (Gujarati, 2005).

4. Determinant Coefficient Test

Coefficient of determination denoted R² or r² is the proportion of the variance in the dependent variable that is predictable from the independent variable (Suliyanto, 2011:39), (Gujarati, 2005). The higher of the value of coefficient of determination the higher independent variables explaining the change or variability of its dependent variable or one factor can be caused by its relationship to another factor. .

5. F Count test

The value of count is used to examine the fit of model or goodness of fit, whether equation model formed is classified as fit criteria or no. F test is well known as simultaneous test that is used to examine whether independent variable used in the model is able to explain the variability of dependent variable value or no.

To infer whether model is categorized as fit or no, F test is needed to be compared to F degree of freedom: df: $\alpha, (k-1), (n-k)$.

6. T test

The value of t test is used to examine whether independent variables significantly influence on dependent variable. A variable will affect another variable significantly if t count value of that variable is higher that t table.

The criteria of hypothesis test are follow as

a. Ho accepted if the value $- t \text{ table} < t \text{ count} < t \text{ table}$ and value Sig. $> \alpha = 0,05$

b. Ha accepted if $- t \text{ table} > - t \text{ count}$ or $t \text{ count} > t \text{ table}$ and value Sig. $< \alpha = 0,05$

RESULT AND DISCUSSIONS

Data Analysis

1. Descriptive Statistics Analysis

Descriptive statistics analysis is used to know the description of data of each variable in this research which are leverage (X₁), liquidity (X₂), profitability (X₃), company growth (X₄), firm size (X₅), dividend policy (X₆) and firm value (Y). The result of descriptive statistics analysis of samples firms are follow as:

Table 1. The Result of Descriptive Statistics Analysis

Variables	N	Min	Max	Mean	Std. Dev
Leverage (X ₁)	40	0,080	2,360	0,685	0,561
Liquidity (X ₂)	40	0,610	8,290	2,894	1,808
Profitability (X ₃)	40	0,043	1,359	0,312	0,353
Firm Growth (X ₄)	40	0,007	0,258	0,089	0,060
Size Firm (X ₅)	40	11,591	13,963	13,115	0,670
Dividend Policy (X ₆)	40	0,148	1,435	0,541	0,301
Firm Value (Y)	40	1,050	58,480	10,509	15,215

2. Classical Assumption Test

a. Normality Test

To know whether data in this research are normally distributed or no, then, normality test is done by using Kolmogorof-Smirnov test. If the result Kolmogorof-Smirnov test shows significance value is bigger than α (0.05). It means distributed data is normal. However, if the value of Kolmogorof-Smirnov test shows significance test is smaller than α (0.05) meaning data are not normally distributed. The results of normality test are as follows as:

Table 2. The Result of Normality Test using Kolmogorov Smirnov Method

No	Variable	Value Kolmogorov Smirnov	Asymp. Sig.	Description
1	Standard ized Residual	0,528	0,943	Normal

Based on table 2 can be known that the value asymp. sig. (2-tailed) for standardized variable is 0,943 bigger than α (0.05). This result shows that data used in this research are normal distributed.

b. Multicollinearity Test

To know whether there is strong correlation among independent variables so multicollinearity test is needed. The result of multicollinearity test are follows as:

Table 3. Multicollinearity Test Result

No	Independent Variables	Tolerance	Value VIF	Description
1	Leverage (X ₁)	0,125	7,999	NM
2	Liquidity (X ₂)	0,376	2,658	NM
3	Profitability (X ₃)	0,172	5,825	NM
4	Company growth (X ₄)	0,941	1,062	NM
5	Firm Size (X ₅)	0,551	1,814	NM
6	Dividend policy (X ₆)	0,536	1,865	NM

Table 3 shows that leverage (X₁), liquidity (X₂), profitability (X₃), company growth (X₄), size firm (X₅) and dividend policy variables (X₆) have the value Tolerance > 0,10 and Variance Inflation Factor (VIF) < 10. Therefore, it can be concluded that no multicollinearity occurs among independent variables in that regression model.

c. Heteroscedasticity Test

To know whether there is the difference of variance between residual variable in regression model in one observation and another observation, thus heteroscedasticity test is needed by using Glejser test. The results of heteroscedasticity test are as follows as:

Table 4. Summary of Heteroscedasticity Test Result

No	Independent Variables	Sig.	Description
1	Leverage (X ₁)	0,161	NH
2	Liquidity (X ₂)	0,102	NH
3	Profitability (X ₃)	0,474	NH
4	Company Growth (X ₄)	0,242	NH
5	Size Firm (X ₅)	0,932	NH
6	Dividend Policy (X ₆)	0,821	NH

Data on table 4 show that the value of significance t count of leverage (X₁), liquidity (X₂), profitability (X₃), company growth (X₄), size firm (X₅) and dividend policy (X₆) variables is bigger than the value of α (0,05) respectively. As a result, it can be concluded that no heteroscedasticity in regression model.

d. Autocorrelation Test

To know whether there is strong correlation among data observed described according to time period of research, autocorrelation test is needed. In this research, autocorrelation test is done by using Durbin Watson method.

The result of correlation test are follows as:

Table 5. Summary of Autocorrelation Test Result

No	DW _{count}	Value d _U	Value 4 - d _U	Description
1	1,911	1,854	2,146	NA

Data on table 5 show that the value DW count is 1,911. This value is compared to the value of Durbin Watson table for n = 40 and independent variables = 6, thus, it can be determined that the value d_U = 1,854. In conclusion, the value of Durbin Watson count exists between the value d_U (1,854) and 4 - d_U (2,146). It means that no autocorrelation both positive and negative occur in regression model.

Table 6. Summary of Multiple Linier Regression Analysis Result

No.	Independent Variables	Coefficient Regression	T _{count}	Significance
1	Leverage (X ₁)	-1,388	-3,778	0,001
2	Liquidity (X ₂)	0,038	0,577	0,568
3	Profitability (X ₃)	4,463	8,957	0,000
4	Company Growth (X ₄)	2,636	2,115	0,042
5	Firm Size (X ₅)	0,577	3,942	0,000
6	Dividend Policy (X ₆)	0,028	0,083	0,934
Constant		= -6,736		
R Square		= 0,864		
Adj. R Square		= 0,839		
F _{count}		= 34,848		

3. The result of Multiple Linier Regression

Multiple Linier Regression analysis is used to know the effect of independent variable on dependent variable. This research studied the effect of leverage, liquidity, profitability, company growth, firm size, and dividend policy toward firm value. The result of multiple linear regression can be seen on table 6.

Based on output on table 6, it can be arranged the equation of multiple linear regression as follows as:

$$Y = -6,736 - 1,388X_1 + 0,038X_2 + 4,463X_3 + 2,636X_4 + 0,577X_5 + 0,028X_6$$

4. The result of Coefficient Determination

The know the degree of the effect of independent variables in explaining the change variability dependent variable is used

the calculation of coefficient determination (R²) R square and adjusted R square. Based on the summary of multiple linear regression result on Table 6 can be found that coefficient determination or R square is 0.864 and coefficient adjusted R square is 0.839 meaning that about 83.90 percent variability change of manufacture firm value listed at Indonesia Stock Exchange during period year 2014 – 2017 can be explained by leverage, liquidity, profitability, company growth, firm size, and dividend policy. Meanwhile, the rest about 16.10 percent can be explain by other variables being not studied in this research.

5. Goodness of Fit Test

To know goodness of fit of model in explaining causality relationship between independent variables and dependent variable, F test is needed. Based on the summary of multiple linear regression result on Table 6 can be seen that the value of F count 34.848 higher than the value F table with df = (k - 1) and (n - k) is 2.42.

The result of F test showed that simultaneously leverage, liquidity, profitability, company growth, firm size, and dividend policy variables influenced significantly on manufacture firm value listed at Indonesia Stock Exchange, or can be stated as well that a regression model formed is fit with research data obtained (goodness of fit). F test curve can be described on figure 1:

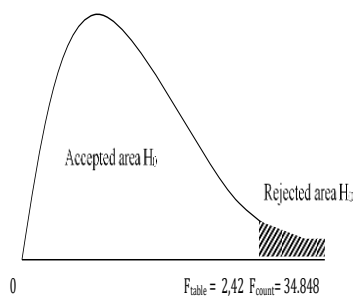


Figure 1. F test curve

6. Partial Test (t Statistics test)

This test is used to know the significance of the effect of leverage, liquidity, profitability, company growth, firm size, and dividend policy variables on firm value partially.

Referring to the degree of deviation or bias (α) = 0.05 and degree of freedom (n - k), where n = 40 dan k = 7, Thus, can be known the value to one tailed test was 1.692.

Based on the summary of multiple linear regression result on Table 6 can be explained that the value of t count of leverage variable (X1) is -3.778, the value of t count of liquidity variable (X2) is 0.577, the value of t count of profitability variable (X3) is 8.957, the value of t count of company growth variable (X4) is 2.115, the value of t count of firm size variable (X5) is 3.942 and the value of t count of dividend policy variable (X6) is 0.083.

Referring to the first hypothesis statement in this research, thus one tailed curve test of the left side (negative) can be shown as follows as:

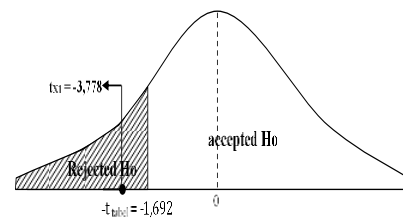


Figure 2. t Test Curve the first Hypothesis (Negative)

Figure 2. t Test Curve the first Hypothesis (Negative)

Then, Referring to the second, third, fourth, fifth, and sixth hypotheses statement in this research, thus one tailed curve test of the right side (positive) can be shown on figure 3 as follows as:

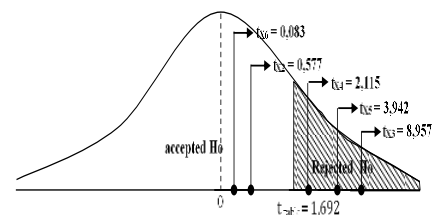


Figure 3. Hypotheses 2, 3, 4, 5, and 6 (Positive)

Discussions

1. The effect of leverage on firm value

The result of analysis shows that leverage affects negatively and significantly on firm value.

Based on the summary of multiple linear regression result on Table 6 can be known the value of t count of leverage variable (-3.778) < the value of -t table (-1.692) and

significancy $0.001 < \alpha$ (0.05). That result shows an evidence that leverage partially affects negatively and significantly on manufacture firm value listed at Indonesia Stock Exchange year 2014 -2017. As a result, the first hypothesis stating that leverage affects negatively on firm value is accepted. Causal relationship between leverage and firm value in this research can be explained that the higher ratio between total liability (short term and long term liabilities and total equity will result in the higher its dependency level on other parties (creditors) that causes the decrease of company's profit.

In line with the signal theory the decrease of profit can indicate signal negative for investors because they tend to choose to invest their capital in companies getting profit continuously and increasingly. This condition results in investors are not interested in investing their capital or funds as a result, decreasing its firm value.

2. The effect of liquidity on firm value

The result of analysis shows that liquidity does not affect firm value. Based on the summary of multiple linear regression result on Table 6 can be known that the value of t count of liquidity variable (-0.577) < the value of -t table (-1,692) and significancy $0,568 > \alpha$ (0,05). That result shows an evidence that liquidity partially affects positively but not significantly on manufacture firm value listed at Indonesia Stock Exchange year 2014 -2017. The higher of capability of the firm in covering short term liabilities is not always followed by increasing manufacture firm value listed in Indonesia Stock Exchange year 2014 -2017. In addition, investors do not always focus on liquidity level of the firm as main factor in making investment decision. Based on the signal theory, the high liquidity results in idle funds and the company has to take responsibility of its risk because of cost incurred.

As a result, the second hypothesis stating that liquidity affects positively on firm value is not accepted. Causal relationship between liquidity and firm value in this research can be explained that the higher ratio between total assets and total liabilities will result in the risk occurred because of idle current assets. It leads to the decrease of company's profit.

3. The effect of profitability on firm value

The result of analysis shows that profitability affect firm value significantly and positively. Based on the summary of multiple linear regression result on Table 6 can be

known that the value of t count of profitability variable (8.957) < the value of -t table (-1.692) and significancy $0.000 < \alpha$ (0.05). That result shows an evidence that profitability affects positively and significantly on manufacture firm value listed at Indonesia Stock Exchange year 2014 -2017. The higher of capability of the firm in obtaining profit over equity, leads to the higher manufacturers firm value listed at Indonesia Stock Exchange year 2014 -2017.

As a result, the third hypothesis stating that profitability affects positively on firm value is accepted. Causal relationship between profitability and firm value in this research can be explained that the company having higher profit tends to attract investors to invest their capital at that company. In conclusion, the profitability of company leads to firm value.

4. The effect of company growth on firm value

The result of analysis shows that company growth affects firm value significantly and positively. Based on the summary of multiple linear regression result on Table 6 can be known that the value of t count of company growth variable (2.115) > the value of -t table (-1.692) and significancy $0.042 < \alpha$ (0.05). That result shows an evidence that company growth variable affects positively and significantly on manufacture firm value listed at Indonesia Stock Exchange year 2014 -2017. The higher of capability of the firm in selling its products results in investors are willing to invest their capital in a company that leads to the higher manufacturers firm value listed at Indonesia Stock Exchange year 2014 -2017. Investors believe that company having higher sales indicates that a company tend to be able to have better performance in the future. As a result, the forth hypothesis stating that company growth affects positively on firm value is accepted.

5. The effect of firm size on firm value

The result of analysis shows that firm size affects firm value significantly and positively. Based on the summary of multiple linear regression result on Table 6 can be known that the value of t count of firm size variable (3.942) > the value of -t table (-1,692) and significancy $0.000 < \alpha$ (0.05). That result shows an evidence that firm size variable affects positively and significantly on manufacture firm value listed at Indonesia Stock Exchange year 2014 -2017. The higher of the amount of total assets owned by the firm in operating the firm leads to investors

are willing to invest their capital in a company that leads to the higher manufacturers firm value listed at Indonesia Stock Exchange year 2014 -2017. Investors believe that company having bigger assets indicates that a company tend to be easier to be able to obtain funds from other parties and accessibility in listing at Stocks Exchange and issuing its stocks to get fresh funds are easier. Thus, investors believe that the higher assets owned by companies tend to have better performance in the future. As a result, it leads to increase firm value. As a result, the fifth hypothesis stating that firm value affects positively on firm value is accepted.

6. The effect of dividend policy on firm value

The result of analysis shows that dividend policy affects firm value significantly and positively. Based on the summary of multiple linear regression result on Table 6 can be known that the value of t count of dividend policy variable (0.083) < the value of -t table (1.692) and significancy $0.934 < \alpha$ (0.05). That result shows an evidence that company growth variable affects positively but not significantly on manufacture firm value listed at Indonesia Stock Exchange year 2014 -2017. The higher of capability of the firm in distributing its profit to its stockholders as dividends does not take for granted increasing the value of the firm. Investors believe that company having higher sales indicates that a company tend to be able to have better performance in the future. As a result, the sixth hypothesis stating that dividend policy affects positively on firm value is not accepted.

CONCLUSIONS

1. Leverage represented by debt to equity ratio affected negatively and significantly on firm value. It resulted in the first hypothesis was accepted
2. Liquidity represented by current ratio did not influence on firm value. As a result, the second hypothesis was not accepted.
3. Profitability represented by return on equity positively and significantly affected on firm value. Therefore, the third hypothesis was accepted.
4. Company growth represented by sales growth positively and significantly influenced firm value. Therefore, the fourth hypothesis was accepted
5. Firm size represented natural logarithm of total assets positively and significantly

affected on firm value. Therefore, the fifth hypothesis was accepted.

Dividend policy represented by dividend payout ratio did not affect firm value. Therefore, sixth hypothesis was not accepted

Suggestions

Based on the conclusion, there are some suggestion should be given to the main stakeholders:

1. Companies

Based on findings that profitability does affect value of the firm, every company should pay attention to sales. Because in the current condition the competition is very tough marketing strategy plays important role especially promotion. In addition, the company especially manager should pay attention to cost especially cost of goods sold because even the sales increase drastically if cost of goods sold increase drastically as well, the company will not get higher profit. The manager must monitor in managing cost of goods sold to avoid ineffectiveness related to cost incurred. As a result the company will be able to get profit well.

2. Investors

In investing their capital, investors not only focus on profitability but also pay attention to other factors such as liquidity and leverage. Lot of companies focus too much on profitability but ignore liquidity and leverage. Thus, huge companies find difficulties in running their operation because they must deal with their responsibility or liabilities in short time. Then, some must be responsible to the divide their profit that supposed to be distributed to investors but profits must be given to creditors. Thus, investors before making decision to invest their capital should consider well about liquidity and leverage of companies,

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