Industry Value: Empirical Study of Factors Affecting

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ABSTRACT
The purpose of this research is to analyze the factors that influence the value of the industry. The independent variables are investment opportunities, dividend policy, financial leverage, profitability. The population in this research is a non-financial industry listed on the IDX from 2017 to 2019. The illustrations for this research were selected using a purposive sampling procedure, and 200 illustrations were taken. Information analysis uses multiple regression procedures. The results of this research show that financial leverage, profitability and an independent board of commissioners affect the value of the industry, on the other hand, investment opportunities do not affect the value of the industry.
Keywords: *Firm value, investmernt opportunity, dividen policy, financial laverage, Profitability*

INTRODUCTION

Indonesia's economic growth, almost all companies in the form of increasing their business conduct various businesses to meet capital needs. The Industry in fulfilling its capital needs, used to improve the industry's business activities. The way for companies to increase investment is to market the ownership of the industry to the public or so-called go public. The Industry strives to increase the industry's investment in order to meet the industry's intentions, namely the short and long term where the shortening term is to obtain profit or profit and its long term to maximize industry value. (Main and Fidiana 2016).

Munawaroh and Priyadi (2014) write that making the industry's value optimal is also maximizing the prosperity of shareholders who are also the industry's goals. The value of the industry is the response of shareholders to the industry. The increased value of the industry will show the owner will prosper. The value of the industry can be seen from its share price. If the share price increases will make the value of the industry also increase. If the industry's value increases it will convince the market that the industry has good business for now and for the future (Munawaroh and Priyadi 2014).

The research is development of research conducted by Siboni and Pourali (2015). The purpose of this research is to empirically test whether investment decisions, dividend policy, managerial ownership, debt policy, profitability, industry dimensions, independent commissioners and audit committees affect industry value.

THEORETICAL BACKGROUND

Investment Decisions

Investment decisions are defined as a combination of fixed assets owned with options in future investments. What the industry does in its investment is investment using assets. Research by Siboni and Pourali (2015), Rizqia et al. (2013) and Haruman (2007) shows that investment decisions affect industry value. But Rinnaya et al. research (2016) shows that investment decisions have no influence on the value of the industry.

H1: Investment decisions affect the value of the industry.

Dividend Policy

Dividends are the result of the industry's profits paid or distributed by the industry to its investors. The highlight in the dividend policy is how the industry distributes its existing profits to investors (Faridah and Kurnia 2016). Because profit or profit can be allocated in two ways, namely to share it directly to investors or hold it for the sustainability of the industry. Research by Siboni and Pourali (2015), Rachman (2016) and Rizqia et al (2013), Faridah and Kurnia (2016) revealed that dividend policy affects the value of the industry. However, according to Masrifa (2016), Sofyaningsih and Hardiningsih (2011) and Utama and Fidiana (2016) showed that dividend policy has no impact on the value of the industry.

H2: Dividend policy affects the value of the industry

Financial Laverage

Utama and Fidiana (2016) stated that debt policy is a way to see companies to cover the industry's assets using how much debt. If a industry's debt is excessive then the industry is tied to the debt to cover its assets. But if the debt is low then the industry uses its own

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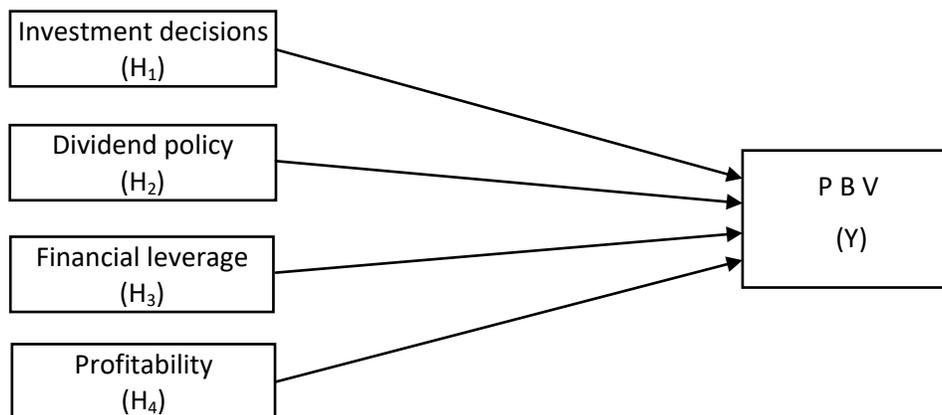[3]Email: Diantriyanianata@gmail.com

money to cover its assets. Research by Rachman (2016), Rizqia et al. (2013), Rudangga and Sudiarta (2016), Sheikh and Khan (2016) and Utama and Fidiana (2016) shows that leverage affects the value of the industry. Research conducted by Siboni and Pourali (2015), Timbuleng et al. (2015) and Siahaan (2013) shows that leverage does not affect the value of the industry.

H3: Financial leverage affects the value of the industry.

Profitability

Munawaroh and Priyadi (2014) stated If profitability is a reflection of management's performance in managing the industry. Utama and Fidiana (2016) stated that the ability to earn profit here is interpreted as the industry can utilize its assets optimally to generate profit. Research conducted by Siboni and Pourali (2015), Rizqia et al. (2013), Munawaroh and Priyadi (2014) showed that profitability affects the value of the industry. However, Sakti and Nugroho's research (2012) report that profitability does not affect the value of the industry.

H4: Profitability affects the value of the industry.

Figure 1. Theoretical Framework

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METHOD, DATA AND ANALYSIS

The industry's samples are selected by purposive sampling method. The results of the sample selection can be seen in Table 1 below:

Table 1. Sample Selection Procedure

No	Information	amount	Data
1	Non-financial companies consistently listed on the IDX during the period 2017-2019	525	1385
2	Non-financial companies whose financial year does not end on December 31	(8)	(24)
3	Non-financial companies that do not present financial statements in IDR currency	(90)	(259)
4	Non-financial companies that do not earn a profit	(145)	(480)
5	Non-financial companies that do not have managerial ownership for the period 2015-2018	(82)	(290)
6	Companies didn't distribute dividends during the period 2017-2019	(85)	(105)
	Sample Amount	76	298

Source: Processed data

The industry's PBV is the ratio between the industry's market value and its book value (Weston, J.Fred Z and Copeland, Thomas.E.1992). PbV is one of the benchmarks of the value of a industry's shares. The higher the PBV, the higher the share price of the industry. PBV is influenced by capital structure, profitability, asset size, and sales growth. Unlike the nvert, J.Fred.Z and Copeland, Thomas.E. 1992 argues that the industry's funds are currently obtained for future profits or the success of the industry's level in operationalizing its business which can be seen at the share price of the industry or PBV.

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Dependent variables are often referred to as bound variables. The dependent variable is a variable that is influenced or has a consequent nature, because there are independent variables (Ahyar et al., 2020). The dependent variable in this research is Industry Value. Projected with corporate Value which is a comparison between the price per share and book value. Variable measurements are illustrated with the formula:

PBV = $\dfrac{\text{Stock price}}{\text{Book value of stock sheet}}$.

Investment decisions are considerations about investing in the present to earn future profits. (Faridah and Kurnia 2016). The Investmen decision is measured using a ratio scale of Total Asset Growth (TAG). TAG is the development of the industry's assets from one year to the next. TAG is a tool to measure the growth of investments made by companies through fixed assets (Rinnayah et al. 2016)

Invesment Decision = $\dfrac{\text{BV of FA in the CY – BV of FA in the PY}}{\text{BV of assets in the previous year}}$

Dividends are profits that companies share with shareholders. Dividend policy concerns the issue of the use of profits that are the right of shareholders (Faridah and Kurnia 2016). Dividend policy is measured using a ratio scale that refers to research (Siboni and Pourali 2015) with the following formula:

DPR= $\dfrac{\text{Dividen Per Share}}{\text{Earnings Per Share}}$

Cashmere's Debt Policy (Hasana et al., 2017) Leverage is a ratio that reflects the industry's ability to meet all of its obligations as indicated by the share of its own capital used to pay debts. The use of large amounts of debt will increase industry risk, which increases debt repayment (Bringham & Houston, 2009). The industry's debt is high so investors will not be interested in buying the industry's shares because it does not meet the expectations of investors, namely the dividend share. High leverage then dividends are paid low, meaning there is a negative influence between leverage on dividends. Companies that

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have a high debt ratio are likely that the management prioritizes the profit earned is used for the repayment of liabilities first before distributing dividends. The industry's liabilities or expenses will increase if the industry uses capital derived from the loan. This is due to the interest expense incurred as a result of the loan. Companies that use their own capital and that are not derived from loans are required to distribute dividends as a process of return provided by the industry to shareholders. The various measuring instruments used to measure leverage are as follows:

DER= $\dfrac{\text{Total Debt}}{\text{Total Assets}}$

Profitability is interpreted as a whole (Dendawijaya, 2009:119). ROA is a ratio used to measure a bank's ability to make a relative profit compared to its total assets. This ratio measures the industry's ability to generate net income based on a certain level of inheritance. (Munawir, 2002:247). The intervening variable in this study is the Projected Return Volatiliity with Return On Asset (ROA). Volatility Return is an overall measure of management's effectiveness in generating profits.

As the industry can make optimal use of its assets for profit (Utama and Fidiana 2016). The profitability of this study was measured using Return On Asset (ROA) which scaled the ratio the same as the measurements made by Siboni and Pourali (2015) with the formula:

ROA= $\dfrac{\text{Net Income}}{\text{Total Assets}}$

RESULTS

Descriptive statistical results as well as test results of research hypotheses are presented in the table below:

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Table 2. Statistic Descriptive

Variabel	N	Minimum	Maximum	Mean	Std. Deviation
PBV	295	0.50747	23.28575	2.03150	2.82128
KI	295	-0.64139	0.40073	0.02957	0.07843
DIVIDEN	295	0.03890	1.32734	0.33584	0.21817
FL	295	0.07497	0.81972	0.45471	0.18524
ROA	295	0.00722	0.45788	0.07920	0.07832

Source: SPSS Data Processing

Table 3. Hypothesis Test Results

Model	B	Sig.
(Constant)	-0.40332	0.046
INVEST DECISION	-0.27177	0.776
DIVIDEN	0.68852	0.829
FL	3.13148	0.000
ROA	28.21072	0.000

Source: SPSS Data Processing

DISCUSSION

Sig value. investment decisions amounting to 0.776 greater than alpha 0.05, so it can be concluded that Ha1 is not accepted, this indicates that the investment decision variable has no impact on the value of the industry.

Sig value. dividend policy of 0.829 is greater than alpha 0.05, so it can be concluded that Ha2 is not accepted, this indicates that the dividend policy variable has no impact on the industry's value.

Sig value. financial leverage is 0.000 smaller than alpha 0.05, so it can be concluded that Ha4 is accepted, indicating that financial leverage variables have an influence on the industry's value. The table above shows that financial leverage has a positive impact on the value of the industry, this is because the use of debt will increase the value of the industry because there is an interest payment on debt, the payment of debt interest is a payment for reducing tax payments so as to increase profits.

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Sig value. at Profitability of 0.000 is smaller than alpha 0.05, so it can be concluded that Ha5 is accepted, this indicates that the variable profitability affects the value of the industry. The table above presents that profitability has a positive impact on the value of the industry, this means that the industry is effective in carrying out its operations until the profitability of the industry increases.

CONCLUSIONS

The results showed that independent debt and profitability policies had an influence on the value of the industry, while investment decisions and dividend policies, had no influence on the value of the industry. The limitations of this study, namely (1) only using non-financial companies listed on the IDX, so that the research can not apply in general to countries other than Indonesia, (2) This study only uses 5 independent variables to predict the value of the industry, (3) the period used in this study is only 3 years, namely from 2017-2019. Recommendations for further research (1) Using companies listed on other countries' Stock , (2) adding other variables that are predicted to be determining factors of the industry's value, (3) the research period could be four years or more.

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