Firm Value Factors: the Effect of Earning Per Share, Capital Structure, and Dividend Policy on Creative Business Companies

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ABSTRACT

Firm value is one of the measurements used to gain investor and creditor confidence. A high company value will make investors believe in investing their capital or investing in a company, because a high company value indicates good company performance and is a measure of the high level of shareholder prosperity indirectly. This study aims to determine whether there is an influence between earnings per share (EPS), capital structure, and dividend policy on firm value. The companies studied are creative business companies listed on the Indonesia Stock Exchange in 2019 – 2022. This research is a quantitative study. The population in this study were consumer goods companies and the sample method used was purposive sampling. The data analysis technique used is descriptive statistics, multiple linear regression analysis, coefficient of determination (R²), partial test (t test) and simultaneous test using SPSS version 26.00. The results of the study found that earnings per share has a significant effect on firm value, dividend policy has a significant effect on firm value, capital structure has no effect on firm value. The result of further research found that earning per share, capital structure, and dividend policy simultaneously has a significant impact on firm value.

Keywords: Firm Value, Earning per Share, Capital Structure, and Dividend Policy

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INTRODUCTION

A Public Company is a company that is open to offering shares to the public on the stock exchange. One way for companies to obtain financing to develop their business is to become a public company. Increasing the wealth of company owners and shareholders is one of the primary goals of companies going public. This can be achieved by increasing the company’s value so that the company can maximize its profits and shareholder wealth increases (Effendi, 2021).

Creative Business Company value is a measurement used to gain the trust of investors and creditors. Enterprise value reflects the company’s assets. A high company value will make investors confident to invest their capital or invest in the company because a high company value indirectly indicates high shareholder wealth (Sembiring & Trisnawati, 2019).
Now, competition in the business world is becoming more and more intense, including in the consumer goods sector currently in Indonesia. Companies are encouraged to continue competing to attract investors who will invest their capital in the company by improving the company's financial performance (Berliana Sirait, 2017).

Earnings per share shows the amount of profit earned by investors. (Innafisah et al., 2019) explains: "By knowing the earnings per share, investors can estimate the potential earnings per share. This can be used by company managers to determine the company's performance, an increase in total profit shows that earnings per share have also increased." so that the share value reflects the increase in value. Company".

Capital structure is the ratio of long-term debt to equity (Vernando & Erawati, 2020). Companies typically rely on debt, so debt is an element of the company's capital structure. Capital structure is related to the amount of debt and capital used to finance the company's activities (Berliana Sirait, 2017).

Dividend policy is a decision about corporate profits in which these profits are distributed to shareholders in the form of dividends or converted into retained earnings to finance future investments. (Ovami & Anugrah Nasution, 2020) said: "Dividends can show the stability and future prospects of the company to outsiders, especially investors who will invest in the target company."

In order to achieve the company's normative goal of maximizing shareholder wealth, the company must be able to maximize shareholder value (Innafisah et al., 2019). In order to maximize company value, companies must first understand which factors can influence company value. Therefore, conducting this research is very important as companies can use this research to find out what factors influence the company's value.

Based on the research background, the formulation of this research problem is as follows:
1. Does earnings per share affect firm value?
2. Does capital structure affect firm value?
3. Does dividend policy affect firm value?
4. Do earnings per share, capital structure and dividend policy simultaneously affect firm value?

**RESEARCH METHOD**

This type of research is quantitative research with a research design, namely causal research. Quantitative is a research method used to examine a particular population or sample, with the aim of testing a hypothesis. Causal research design aims to test hypotheses about the influence of one or several variables (independent variables) on other variables (dependent variables).

The population in this study is creative business companies listed on the Indonesian Stock Exchange during 2019-2022. The number of companies listed on IDX during 2019-2022 is 107 companies. This research uses a sampling technique with a purposive sampling method, namely a technique for determining samples based on certain criteria. The sampling criteria in this research are as follows:
1. Consumer goods companies registered in the IDX and not delisted from the IDX during 2019-2022;
2. The company will pay dividends consecutively in 2019 - 2022;
3. Companies that have complete financial reporting data to measure variables used in this research.

The operationalization of the variables used in this research consists of earnings per share ($X_1$), dividend policy ($X_2$), capital structure ($X_3$) and firm value ($Y$). The operationalization of the variables used in this research is presented in the following Table 1:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Definition</th>
<th>Reference</th>
<th>Measurement</th>
<th>Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>$X_1$</td>
<td>Earnings per share</td>
<td>Innafisah et al., 2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$X_2$</td>
<td>Dividend policy</td>
<td>Ovami &amp; Anugrah Nasution, 2020</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$X_3$</td>
<td>Capital structure</td>
<td>Vernando &amp; Erawati, 2020</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$Y$</td>
<td>Firm value</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
**RESULTS AND DISCUSSIONS**

Descriptive statistics is an analysis technique used to provide an overview of data in terms of the average (mean), standard deviation, variance, maximum, minimum, sum and range (Ghozali, 2018). Descriptive analysis was carried out on all research variables which included 3 independent variables, namely earnings per share, capital structure as measured by the debt to equity ratio, and dividend policy as measured by dividend per share, company value as measured by price to book value as the dependent variable. The results of descriptive statistical analysis tests are presented in Table 2 below.

<table>
<thead>
<tr>
<th>Table 2. Statistical Analysis Test Results Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Descriptive Statistics</strong></td>
</tr>
<tr>
<td><strong>N</strong></td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>Earning Per Share</td>
</tr>
<tr>
<td>Dividend Payout Ratio</td>
</tr>
<tr>
<td>Debt To Equity Ratio</td>
</tr>
<tr>
<td>Firm Value</td>
</tr>
</tbody>
</table>

Source: Reference, 2023

Based on table 2 above, it shows observations of 80 data samples and can be described as follows:
1. Earnings per share
The first independent variable is earnings per share, based on table 2 earnings per share has an average value (mean) of 200.349 with a standard deviation of 353.575 which is greater than the average value. The highest earning per share value was 2597 owned by PT Merck Tbk in 2019. The lowest earning per share value was -26.08 owned by PT Chitose Internasional Tbk in 2022.

2. Dividend policy (Dividend payout ratio)
   The second independent variable is dividend policy (dividend payout ratio), based on table 2 the dividend payout ratio has an average value (mean) of 0.570 with a standard deviation of 0.474 which is smaller than the average value. The highest dividend payout ratio value is 2.53 owned by PT Delta Djakarta Tbk in 2021. The lowest dividend payout ratio value is -0.07 owned by PT Chitose Internasional Tbk in 2022.

3. Capital structure (Debt to equity)
   The third independent variable is capital structure (debt to equity), based on table 2 debt to equity has an average value (mean) of 0.696 with a standard deviation of 0.834 which is greater than the average value. The highest debt to equity value was 4.84 owned by PT Kalbe Farma Tbk in 2021. The lowest debt to equity value was 0.00 owned by PT HM Sampoerna Tbk in 1999.

4. Firm Value
   Firm value as a dependent variable, based on table 2, firm value has an average value (mean) of 4.674 with a standard deviation of 10.164, which is greater than the average value. The highest company value was 60.67 owned by PT Unilever Indonesia Tbk in 2020. The lowest company value was 0.34 owned by PT Budi Starch & Sweetener Tbk in 2021.

From the results of testing assumptions and research quality, it shows that the regression model used in this research is normal and free from multicollinearity, heteroscedasticity, autocorrelation and is suitable for regression analysis. The following are the results of the multiple linear regression and simultaneous test presented in Table 3 and table 4 below:

<table>
<thead>
<tr>
<th>Table 3. Results Of Multiple Linear Regression Analysis Test</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Coefficients</strong></td>
</tr>
<tr>
<td><strong>Model</strong></td>
</tr>
<tr>
<td>1 (Constant)</td>
</tr>
<tr>
<td>EPS</td>
</tr>
<tr>
<td>DPR</td>
</tr>
<tr>
<td>DER</td>
</tr>
</tbody>
</table>

a. Dependent Variable: PBV

Source: Reference, 2023

<table>
<thead>
<tr>
<th>Table 3. Results Of Simultaneous Analysis Test</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ANOVA</strong></td>
</tr>
<tr>
<td><strong>Model</strong></td>
</tr>
<tr>
<td>------------------------------------------------</td>
</tr>
</tbody>
</table>

Based on the test results that have been described, the hypotheses that have been formulated previously will be discussed in more depth and compared with previous research.

**Effect of Earning Per Share on Firm Value.** The first hypothesis in this research is that earnings per share influence company value. Based on the research results, it can be seen that the significance value is 0.038, which means it is smaller than 0.05 with a calculated t value of 2.129. This can lead to the conclusion that H0 is rejected and H1 is accepted, which means that earnings per share have a significant positive influence on company value. This means that the higher the company's earnings per share, the company value will increase, because the higher the company's earnings per share, the higher investor interest in the company's shares.

Earnings per share are considered to influence the value of the company because earnings per share can describe the company's ability to generate profits per outstanding share and with this, investors can easily find out how much profit will be obtained from the shares they own. The amount of earnings per share can influence the level of investor confidence in investing in a company. The greater the value of earnings per share, the happier investors will be because it means greater profits will be received by shareholders and more investors will invest in the company. When earnings per share increases, the share price will also increase and this will reflect an increase in company value. This research is in line with research conducted by (Innafisah et al., 2019) which explains that earnings per share have an influence on company value. This means that the size of the earnings per share will have an impact on the company value which gives investors an idea when making decisions.

This research is not in line with the results of research from (Berliana Sirait, 2017) which states that earnings per share have no effect on company value. This may be due to differences in the periods and company sectors studied.

**Effect of Capital Structure on Firm Value.** The second hypothesis in this research is that capital structure influences company value. Based on the research results, it can be seen that the significance value is 0.381, which means it is greater than 0.05 with a t count of 0.884. This can provide the conclusion that H0 is accepted and H2 is rejected, which means that capital structure has no influence on company value. Based on the results of data analysis, it shows that capital structure does not have a significant influence on the value of consumer goods sector companies listed on the IDX in 2019 - 2022. The results of this research are that capital structure as proxied by DER has no effect on company value, which means that the greater the DER a company has, it has no effect on company value. The high DER value for a company indicates that the company uses a lot of funds from outside parties. A capital structure that relies on debt reflects a company's growth conditions where the company has large funding for its investment. Under these conditions, investors will judge that the company will cause losses to shareholders so that share prices will decline which will reduce the value of the company.

The results of this research are in line with research conducted by (Irawan & Kusuma, 2019) and (Hendrani & Septyanto, 2021) which states that capital structure has no effect on company value. This means that the size of the capital structure does not affect the value of the company. This research is not in line with research conducted (Berliana Sirait, 2017) which states that capital structure influences company value. This may be due to differences in the periods and company sectors studied.

**Effect of Dividend Policy on Firm Value.** The third hypothesis in this research is that dividend policy influences company value. Based on the research results, it can be seen that the significance value is 0.049, which means it is smaller than 0.05 with a t count of 2.129. This can lead to the conclusion that H0 is rejected and H3 is accepted, which means that dividend policy has a significant positive influence on company value. This means that the higher the company's dividend policy, the company value will increase, because the higher the company's dividend policy, the higher investor interest in the company's shares.

Previously conducted research by (Innafisah et al., 2019) and (Irawan & Kusuma, 2019) states that dividend policy has a significant positive influence on company value. This means that the higher the company's dividend policy, the company value will increase, because the higher the company's dividend policy, the higher investor interest in the company's shares. This research is in line with research conducted (Berliana Sirait, 2017) which states that dividend policy influences company value. This may be due to differences in the periods and company sectors studied.

<table>
<thead>
<tr>
<th></th>
<th>Regression</th>
<th>9.219</th>
<th>4</th>
<th>2.305</th>
<th>3.021</th>
<th>.025b</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Residual</td>
<td>41.961</td>
<td>55</td>
<td>.763</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>51.179</td>
<td>59</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Reference, 2023
2.009. This can lead to the conclusion that H0 is rejected and H3 is accepted, which means dividend policy has a significant positive influence on company value. Based on the results of data analysis, it shows that dividend policy has a significant influence on the value of consumer goods sector companies listed on the IDX in 2019 - 2022. Dividend policy, which is proxied by the dividend payout ratio, has an effect on company value, which means that the greater the dividend the company has, the more influence it will have on company value. By increasing the dividend, it shows higher profit growth. Investors will receive signals about company profits from increasing dividends. Companies with high dividends will attract investors to buy shares in the company, and this can increase share prices. This is because investors prefer dividends, with high dividends, more investors will invest in the company and the share price will be higher so that the value of the company also increases. The results of this research are in line with research conducted by (Innafisah et al., 2019), (Ovami & Anugrah Nasution, 2020), and (Prasetya Margono & Gantino, 2021) which states that dividend policy has an effect on company value. Because investors consider dividend policy as a positive signal from a company.

**Effect of Earning Per Share on Firm Value, Capital Structure, and Dividend Policy.**

The fourth hypothesis in this research is that earnings per share, capital structure and dividend policy simultaneously influence company value. Based on the results of the ANOVA test, it can be seen that the significance value is 0.025, which means it is smaller than 0.05. This can lead to the conclusion that H0 is rejected and H4 is accepted, which means that earnings per share, capital structure and dividend policy have a significant positive simultaneous influence on company value.

**CONCLUSION**

This research was conducted with the aim of obtaining empirical evidence on earnings per share, capital structure, dividend policy on firm value. The research results explain that H1 has a significance value of 0.038 which is smaller than 0.05 with a calculated t value of 2.129. It can be concluded that H0 is rejected and H1 is accepted, which means Earning Per Share has a significant influence on Firm Value. Furthermore, H2 has a significance value of 0.381 which is greater than 0.05 with a calculated t value of 0.884. It can be concluded that H0 is accepted and H2 is rejected, which means that Capital Structure has no influence on Firm Value. H3 has a significance value of 0.049 which is smaller than 0.05 with a calculated t value of 2.009. It can be concluded that H0 is rejected and H3 is accepted, which means that Dividend Policy has an influence on Firm Value. H4 has a significance value of 0.035 which is smaller than 0.05, which means that earnings per share, capital structure and dividend policy have a significant positive simultaneous influence on company value.

**REFERENCES**


