



THE IMPACT OF DIVIDEND POLICY AND CAPITAL STRUCTURE ON FIRM VALUE IN AGRICULTURAL SECTOR

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Received Date : 02.10.2021

Revised Date : 02.12.2021

Accepted Date : 13.12.2021

ABSTRACT

This study aims to determine the effect of Dividend Policy and Capital Structure on the Agricultural Sector's Company Value. The research method used in this study is the verification method with a quantitative approach. The case study was conducted on agricultural sector companies listed on the Indonesia Stock Exchange in 2015-2019. The sample used is Price Book Value (PBV) and Debt to Equity Ratio (DER) in 14 agricultural sector companies obtained from Financial Statements published on the Indonesia Stock Exchange website: www.idx.co.id for the period 2015-2019. The results showed that Dividend Policy and Capital Structure variables had a negative and not significant effect on company value.

Keywords : **Dividend Policy, Capital Structure, Company Value, Agriculture, Price Book Value**

ABSTRAK

Penelitian ini bertujuan untuk mengetahui pengaruh Kebijakan Dividend dan Struktur Modal terhadap Nilai Perusahaan Sektor Pertanian. Metode penelitian yang digunakan dalam penelitian ini adalah metode verifikasi dengan pendekatan kuantitatif. Studi Kasus dilakukan pada perusahaan sektor pertanian yang terdaftar di Bursa Efek Indonesia pada tahun 2015-2019. Sampel yang digunakan adalah Price Book Value (PBV) dan Debt to Equity Ratio (DER) pada 14 perusahaan sektor pertanian yang diperoleh dari Laporan Keuangan yang dipublikasikan di website Bursa Efek Indonesia: www.idx.co.id periode 2015-2019. Hasil penelitian menunjukkan bahwa variable Kebijakan Dividen dan Struktur Modal berpengaruh negatif dan tidak signifikan terhadap Nilai Perusahaan pada sektor pertanian.

Kata Kunci : **Kebijakan Dividend, Struktur Modal, Nilai Perusahaan, Pertanian, Price Book Value**

INTRODUCTION

Firm value as an indicator of public companies' financial performance is an essential factor for investors. In addition, firm value is an indicator for the market in providing an overall company assessment (Salvatore, Dominick, 2011). A high firm value shows the increasing profits that investors receive through additional dividends from the shares owned. In other words, a high firm value indicates the better welfare of investors (Nguyen *et al*, 2020). The firm owner's welfare is also shown by the firm's increasing value, which is reflected in its share price (Hamzah, *et al*, 2018). Therefore, potential investors usually assess the state of a firm through the firm value that shows the company's financial performance.

Dividend policy and capital structure are two of several factors that can affect firm value. Dividend policy regulates the distribution of profits in the company, which is the rights of shareholders, which is usually done if the company's profits increase. The firm's ability to pay dividends can reflect the value of the firm. The dividend payout parallels with the stock price, thus creating an impact on the company's value. Dividend policy is measured by using the Dividend Payout Ratio (DPR). The DPR calculates the number of dividends paid by the company compared to the company's profit. DPR is one of the most critical decisions in a company's operations; it is also closely related to company value described by Price Book Value (PBV) (Prastuti & Sudiarta, 2016). PBV is the ratio between stock price and book value. Healthy companies that generally have an above-one PBV ratio indicate that the stock's market value is more significant than its book value (Djazuli & Aisjah, 2013). Another factor that affects the company's value is the capital structure which is a balance between the use of internal capital and external capital. Internal capital is retained revenue and share ownership, while external capital is in the form of debt (Rumondor, Mangantar, & Sumarauw, 2015). A good capital structure is needed to build a company and determine the steps to be taken. Debt to Equity Ratio (DER) is one of the ratios used to describe the company's capital structure.

Several previous studies have studied the relationship between dividend policy and capital structure with company value. However, there are differences in the results of these studies. Husain and Sunardi (2020) indicate that the capital structure has no significant effect on company value. The results of this study are in line with the results of research conducted by several other researchers who state that there is no significant effect of dividend policy on company value (Akhmadi & Robiyanto, 2020; Safitri *et al*, 2020).

The opposite is shown by Kadim *et al*. (2020) in their research which states that dividend policy affects company value (Kadim *et al*, 2020) and is supported by several previous research (Hidayat & Triyonowati, 2020; Novitasari & Dewi, 2021). Likewise, there is a research gap in the relationship between capital structure and company value. Kusumajaya

(2011) and Setiawan, Susanti & Nugraha (2021) explains that capital structure has a positive and significant effect on company value. Contrary to the results of previous studies, Artini (2011) and Oktowiati & Nurhayati (2020) found that capital structure has no significant effect on company value.

A good company value shown by a high PBV will make the market believe in the company's prospects. It is one of the targets for company owners because high company value indicates an increased prosperity level for shareholders (Fathony, M. 2021). Companies with easy access to the capital market do well and have a stable record of profitability and earnings. Meanwhile, companies that do not have excellent financial performance and invest without a good strategy will bring significant risk to potential shareholders. The ability of such companies to raise their capital or borrow funds from the capital market will be minimal. As a result, those companies must retain more profits to finance their operations. Established companies tend to provide higher dividend payout rates than smaller or new companies based on the previous statement. This research gap sparks interest for us in doing this research, especially regarding the inconsistency of research on the relationship between dividend policy and capital structure on company value.

Companies in the agricultural sector were chosen as agricultural objects considering that the agricultural sector is one of the main sectors supporting the economy and development of Indonesia. Most of Indonesia's population depends on this sector for their livelihood. Suppose the planners really pay attention to the welfare of their people. In that case, the only way is to improve the welfare of most of their community members who live in the agricultural sector (Hikalmi & Fadhillah, 2020). The agricultural sector is still part of the potential development resources to be used as a strategic sector for current and future development planning, both at the national and regional levels. The sector that can absorb a high number of laborers is the agricultural sector (Dewi, & Gunarsih, 2021)

This study uses research objects of agricultural companies listed on the Indonesia Stock Exchange (IDX) in 2015-2019. The Indonesia Stock Exchange is a forum for investors to buy and sell the shares they own. Registered companies able to sell their shares on the Indonesia Stock Exchange (IDX) have gone public, where the company has offered its shares to the public. Based on the research gap, various explanations, and facts above, a research question arises that the authors expected to answer, how is the Effect of Capital Structure and Dividend Policy on Firm Value in the Agricultural Sector, so the researcher chose to examine this theme. This research will contribute to the management of the agricultural sector to determine dividend policy and capital structure. Indeed, the study results will confirm the prior studies, which have varied and conflicting results.

Dividend policy decides whether the profits that are the rights of shareholders will be distributed as dividends or become retained earnings

for reinvestment. A good dividend policy produces a balance between current dividends, future growth, and maximizing the company's stock price, which is called optimal dividend policy (Sitana, 2010). If the company increases the dividend payments, investors will interpret it as a signal about improving firm performance in the future; thus, dividend policy influences firm value. The percentage of profit paid to shareholders in cash is called the dividend payout ratio. Dividend policy involves two parties who have different interests, namely shareholders and the company itself. There are several theories of dividend policy, including:

- a) The Irrelevant Dividend Theory proposed by Miller and Modigliani explains that dividend policy does not affect company value and shareholder welfare because the dividend payout ratio is only a detail. The value of a company depends only on the profit generated by its assets, not on how the profit is divided between dividends and retained earnings (Sitana, 2010; Rosmika, 2020).
- b) Bird in the Hand theory states that shareholders prefer high dividends compared to dividends that will be distributed in the future and capital gains. This theory assumes that dividends are more certain than capital income (Rosmika, 2020).
- c) The Information Content of Dividend theory states that investors will see an increase in dividends as a positive signal for the company's prospects in the future because this dividend payment can reduce uncertainty and conflict between managers and shareholders (Rosmika, 2020).

Capital structure is a comparison or balance of the company's long-term funding, which is indicated by comparing long-term debt to its capital (Brigham & Houston, 2001). Capital is categorized into retained earnings and company ownership, while foreign capital is debt, both long term and short term. The capital structure is also a proportion in determining the fulfillment of the company's expenditure needs, whose funds use a combination of long-term funds from inside and outside the company. Sources of funds can be obtained in various ways.

Still, there are two sources of funds: funds originating from foreign sources (external companies) or commonly called foreign capital, and funds originating from within the company (internal companies). Funds from foreign sources can be obtained through debt (debt financing) and self-financing, namely by issuing shares (equity financing). In addition, the theory of capital structure is considered important because the total cost of capital will later be used as a cut of rate in investment decision-making.

The Theories of Capital Structure consists of:

- 1) Traditional approach, which states that there is an optimal capital structure. In other words, the capital structure influences the value of a company. The capital structure can be changed to obtain optimal company value.
- 2) The approach of Modigliani and Miller (MM) incorporates tax factors into the analysis of capital structure. This theory is considered unrealistic and

shows the conditions under which the capital structure is irrelevant. On the other hand, MM has provided instructions regarding the things needed to make the capital structure relevant and affect the company's value. MM stated that companies with higher debt value are irrelevant than the value of companies without debt.

- 3) Trade-Off theory combines Modigliani and Miller's capital structure theory by including bankruptcy costs and agency costs, indicating tax savings from debt with bankruptcy costs. This theory states that the company's capital structure results from the trade-off of funding profits through debt (profitable corporate tax) with higher interest rates and bankruptcy costs. Therefore, according to this theory, companies prefer to get funds from external companies rather than internal companies.
- 4) Millern Model with Corporate and Personal Taxes developed two models of capital structure: capital structure without tax and capital structure with tax. The value of the company with taxes is higher than the value of the company without taxes. The difference is obtained through tax savings because interest can be used to reduce taxes. Miller then developed a model of capital structure to include personal taxes. Shareholders and debt holders must pay taxes if they receive dividends (for shareholders) or interest (for debt holders). According to the model, the goal to be achieved is to minimize corporate taxes and minimize the total taxes that must be paid (corporate taxes, taxes on shareholders, and taxes on debt holders).
- 5) Pecking-Order Theory explains why companies with a high-profit level have a lower level of debt. The low level of debt is not because the company has a small target debt level but because they do not need external funds. The high level of profit makes their internal funds sufficient to meet investment needs. Companies that use this pecking-order theory prefer to use the company's internal funds compared to the company's external funds.
- 6) Asymmetry theory: The concepts of signaling and information asymmetry are closely related. The asymmetry theory states that the parties related to the company do not have the same information about the prospects and risks of the company. Certain parties have better information than others. Managers usually have better information than outsiders (investors). Therefore, it can be said that there is information asymmetry between managers and investors. Signaling theory is a model in which capital structure (debt use) is a signal that managers convey to the market. Companies that increase debt are assessed as companies that believe in the company's prospects in the future. Because they are quite sure, the manager of the company dares to use bigger debt. Investors are expected to catch this signal, a signal that the company has good prospects. Thus, in this theory, debt is a positive sign or signal.

Some of the indicators commonly used to determine the components of the capital structure are:

- a. DER (Debt to Equity Ratio) is used to assess debt to equity. This ratio is calculated by comparing all debt, including current debt, with equity (Murtaza, Rasheed & Basit, 2018).
- b. DAR (Debt to Assets Ratio) measures the ratio between total debt and total assets. In other words, how much the company's assets affect asset management (Harjito, 2013).
- c. Long Term Debt to Equity is the ratio between long-term debt and equity. The goal is to measure how much of each money of own capital is used as collateral for long-term debt. The measurement is done through the comparison of long-term debt with the company's capital provided. In this study, the measuring instrument used to regulate the capital structure is DER (Debt to Equity Ratio).

Firm Value

Value is something that is desired if it is positive. A positive value means that the value is profitable, pleasant and makes it easier for those who get it to fulfill their interests. Conversely, the value is something that is not desirable if the value is negative. A negative value harms or makes it difficult for the party who obtained it to fulfill interests (Margaretha, 2014). Company value is an investor's perception of the company, which is often associated with stock prices. The company's value, formed through stock market indicators, is influenced by various factors, including the dividend policy and capital structure (Husain & Sunardi, 2020; Akhmadi & Robiyanto, 2020; Safitri *et al.*, 2020; Kadim & Husain, 2020). The market value of the maximum share price outlines the company's goals which in practice are always influenced by decisions in the financial sector (Harmono. 2017).

The firm's value is also indicated from investment spending, which gives a positive signal to managers about the firm's growth in the future, thereby increasing stock prices. High stock prices increase the value of a firm (Wahyudi & Pawestri, 2006). Several indicators that can be used to measure company value include:

- 1) Price Earning Ratio (PER) shows how much money investors are willing to spend to pay each dollar of reported profit (Kasmir, 2016). The purpose of the price earning ratio is to see how the market appreciates its performance as reflected by its earnings per share. The price earning ratio shows the relationship between the common stock market and earnings per share.
- 2) Tobin's Q was discovered by a Nobel laureate from the United States, namely James Tobin. Tobin's Q is the market value of the company's assets at the cost of their replacement. Conceptually, the Q ratio is superior to the market value to book value ratio because it focuses on what the company is worth today relative to how much it would cost to replace it today. In practice, the Q ratio is difficult to calculate accurately because estimating the replacement cost of a company's assets is not easy (Brealey *et al.*, 2018)

- 3) Price to Book Value (PBV) is an important component that must be considered in analyzing the company's condition. PBV is one of the variables considered by an investor in determining which shares to buy. For companies that are doing well, this ratio is generally greater than one, indicating that the stock's market value is greater than its book value. The greater the PBV ratio, the higher the company's value from the investor's point of view. A high price to book value will make the market believe in the company's prospects. It is also what the owners of the company want because a high company value indicates the prosperity of shareholders is also high. In this study, the authors chose the indicator of company value as Price Book Value (PBV) because price book value is widely used in investment decision-making. In addition, there are several advantages of PBV; namely, book value is a stable and simple measure that can be compared with market prices. The second advantage is that PBV can be compared between similar companies to show a sign that a stock is expensive/cheap. This ratio can provide an overview of the potential price movements of a stock so that from this description, this PBV ratio indirectly influences stock prices.

Relationship between Dividend Policy and Capital Structure with Company Value

Wahyudi and Bandi (2010) found that dividend policy positively affects company value. Dividends are part of a profit paid by the company to shareholders. Thus, the dividends will be distributed if the company makes a profit. The larger the dividends that are distributed, the more the value of a company (Wahyudi & Pawestri, 2006). However, many studies stated no significant relationship between dividend policy and firm value (Akhmadi & Robiyanto 2020; Safitri *et al.*, 2020). Therefore, this research is conducted to confirm the relationship between dividend policy and firm value.

According to Hamidy *et al.*, (2015), DER as an indicator of capital structure has a significant positive effect on the company's PBV. Testing this hypothesis can mean that the addition of debt made by the company to expand its business will increase the company's stock price so that the PBV of the sample company increases significantly. The study confirms that the capital structure of property and real estate companies on the IDX has not yet reached its optimal point. In addition, the result is by MM theory which states that if there is an increase in firm value, it is caused by additional debt as long as the capital structure is below its optimal point. It is explained by Trade-off theory, where the benefits of increasing debt are still greater than the sacrifices incurred. The benefits of using debt directly increase the value of the company.

The increase in firm value was caused by the increase in the amount of debt (debt is still below its optimal point), which is a direct cause of the company's management that uses debt for its business expansion. Meanwhile, several previous studies also show the insignificant relationship

between capital structure and firm value (Artini, et al. 2011; Oktowiati & Nurhayati, 2020).

RESEARCH METHOD

The research method used in this study is the verification method with a quantitative approach. In this study, we built a theory that explains the relationship between two variables consisting of the independent variable (X), the capital structure and dividend policy, and the dependent variable (Y), which is the firm value. The data used in this study is secondary data in the form of annual financial reports of agricultural sector companies for the 2015-2019 period obtained through the Indonesia Stock Exchange website (www.idx.co.id). Also, the websites of the companies studied.

The population in this study is 14 companies that are included in the agricultural sub-sector listed on the Indonesia Stock Exchange from the 2015-2019 period. The non-probability sampling technique used in this study is a sampling technique that does not provide equal opportunities or opportunities for each element or member of the population to be selected as a sample. The non-probability sampling technique used in sampling in this study is the purposive sampling technique. The purposive sampling technique uses data sources based on certain criteria or considerations to get a representative sample. The criteria for sampling using the purposive sampling technique are as follows:

- a. Agricultural sector companies listed on the Indonesia Stock Exchange during 2015 – 2019.
- b. Agricultural companies use Rupiah (Sugiyono. 2013).

Operationalization of the variables in this study consisted of the dependent variable and the independent variable. The independent variables studied were capital structure, and dividend policy, and the dependent variable studied was firm value.

a. The dependent variable used is the company value. The dependent variable is the largest variable that affects the related variables individually. Company value is measured by Price Book Value (PBV). This ratio is between stock price and book value. The formula used to measure Price to Book Value in this study is:

$$PVB = \frac{\text{Market Price per Share}}{\text{Book Value per Share}}$$

b. Independent variables are variables that can affect other variables. The independent variables in this study are dividend policy and capital structure. Dividend policy decides whether the profits earned by the company will be distributed to shareholders as dividends or not distributed in the form of retained earnings for investment financing in the future (Rusdiana, 2017). The dividend Payout Ratio (DPR) is used as a proxy in this study. The formula used to calculate DPR is:

$$DPR = \frac{\text{Dividend}}{\text{Nett Income}}$$

Capital Structure is the company's financing that comes from the comparison or balance of debt and equity. Debt to Equity Ratio (DER) is used as a proxy to measure capital structure in this study. The formula used to calculate DER is:

$$DER = \frac{\text{Total Debt}}{\text{Total Equity}}$$

The dividend policy studied using the Dividend Payout Ratio (DPR) proxy reflects the percentage of each rupiah produced distributed to owners in cash. DPR is calculated by dividing cash dividends per share by earnings per share. Calculating the DPR shows whether the dividend is good enough for investors or shareholders compared to other companies in the same line of business. Therefore, it can be concluded that dividend policy affects company value and even becomes one of the indicators investors consider to describe the condition of the company. Based on this description, the research hypothesis can be formulated as follows:

H1: Dividend Policy has a positive and significant effect on Company Value

The capital structure studied uses the Debt to Equity Ratio (DER) proxy, which indicates the provision of funds by shareholders to lenders. DER with a number less than 1.00 indicates that a company has smaller debt than its capital (equity). The higher the level of the company's debt, the higher the possibility of the company being declared bankrupt by debtholders if it cannot pay the debt. In other words, DER shows the value of the company. Based on this description, the research hypothesis can be formulated as follows:

H2: Capital structure has a positive and significant effect on firm value.

RESEARCH RESULTS AND DISCUSSION

Descriptive Statistic Test

The calculation results of descriptive statistical tests of all variables used in this study can be seen in table 1:

Table 1. Descriptive Statistics

	DPR	DER	PBV
Minimum	.00	.14	.21
Maximum	4.57	4.89	6.12
Mean	1.1912	1.1139	1.3486
Std. Deviation	.95093	.85259	1.12012

Source: Statistic Test, 2020

- The Capital Structure Variable (DER) (X1) has a minimum value of 0.00 and a maximum value of 4.57 with an average (mean) of 1.1912 and a standard deviation of 0.95093.
- Dividend Policy Variable (DPR) (X2) has a minimum value of 0.14 and a maximum value of 4.89 with an average (mean) of 1.1139 and a standard deviation of 0.85259.
- Firm Value (PBV) (Y) variable has a minimum value of 0.21 and a maximum value of 6.12 with an average (mean) of 1.3486 and a standard deviation of 1.12012.

Classical Assumption Test

The normality of the data distribution of the residuals from the regression model was tested by the Kolmogorov Smirnov (KS) test. A good regression model has a normal or close to normal data distribution as shown in table 2.

Tabel 2. Test KS Output

One-Sample Kolmogorov-Smirnov Test		
		Unstandarized Residual
N		58
Normal	Mean	.0000000
Parameters ^{a,b}	Std.	
	Deviation	.75567619
Most Extreme	Absolute	.072
Differences	Positive	.072
	Negative	-.059
Test Statistic		.072
Asymp.Sig. (2-tailed)		.200 ^{c,d}

a. Test Distribution is normal

b. Calculated from data

c. Lilliefors Significance Correction

d. This is a lower bound of the true significance

Source: Output SPSS 24, 2020

Table 2 shows that the 2-way (2-tailed) significance value is 0.200. In this case, the significance value is greater than the value of (0.200 > 0.05), which indicates that the residuals of the regression model have a normal data distribution.

Multicollinearity Test

This test is useful to identify whether the regression model found a correlation between independent variables. In this study, multicollinearity testing was carried out with the Variance Inflation Factor (VIF) value in table 3.

Table 3. VIF Value Output

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	DPR	.874	1.144
	DER	.874	1.144

Source: Output SPSS 24, 2020

Table 3 shows the VIF statistics on the value of Collinearity Statistics which are below 10 for all variables used in this study. Therefore, it can be concluded that the regression model is free from multicollinearity symptoms.

Autocorrelation Test

The autocorrelation test aims to test whether in the linear regression model there is a correlation between the confounding error in period t and the error in period $t-1$. In this study, the autocorrelation test was performed using the Durbin – Watson (DW) statistic as shown in table 4.

Table 4. DW Value Output

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.239 ^a	.057	.023	.76929	1.694

a. Predictors: (Constant), DER, DPR

b. Dependent Variable: PBV

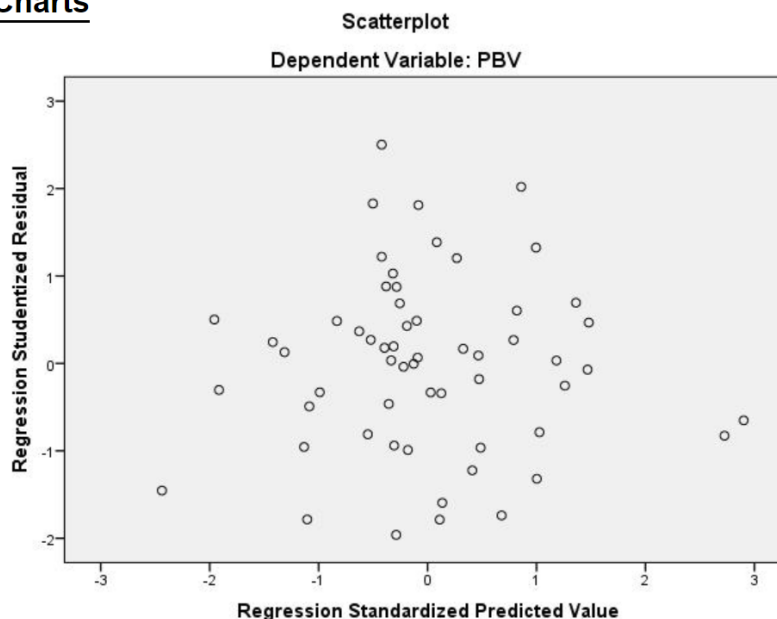
Source: Output SPSS 24, 2020

Table 4 shows that the DW value is exactly at 1.694. The regression model in this study has a total of 3 independent variables and a total of 70 observations, so the safe limit for the DW test value in this study is between $dU < DW < 4-dU$ ($1.6715 < 1.694 < 2.3285$). Therefore, it can be concluded that the regression model is free from autocorrelation problems.

Heteroscedasticity Test

Heteroscedasticity test aims to test whether the regression model has variance inequality from one observation residual to another observation. In this study, the heteroscedasticity test was carried out using the scatterplot method.

Charts



Source: SPSS 24 Output, 2020

Figure 1. Scatterplot Result

Figure 1. shows that there is no pattern in the scatter plot, which means that the regression model is free from heteroscedasticity symptoms.

Multiple Linear Regression Analysis

In testing the results of multiple linear regression analysis, the researcher used the output results of the SPSS application on the three research variables, namely Dividend Policy and Capital Structure on Company Value, which are presented in the table 5. below.

Table 5. T Test Output

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.046	.115		.399	.691
	DPR	-.306	.202	-.212	-1.514	.136
	DER	-.060	.146	-.057	-.410	.683

Source: SPSS 24 Output, 2020

Based on Table 5, it is known that the value of the constant is 0.046, the coefficient value of the independent variable DPR is -0.306 and the coefficient value of the independent variable DER is -0.060 so that the regression equation formed is as follows:

$$PBV = 0.046 - 0.306 \cdot DPR - 0.06 \cdot DER$$

Hypothesis testing

Partial Test (t-test) >

The t-test is done by looking at the level of significance or alpha (α). The α used in this study is 0.05 or 5%. To perform the t-test, it is used by comparing the t-statistical probability value of each independent variable with α , which in this case is 5%. The following table 6. is the output of the t-test using SPSS statistical software:

Table 6 t-test Output

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.046	.115		.399	.691
	DPR	-.306	.202	-.212	-1.514	.136
	DER	-.060	.146	-.057	-.410	.683

Source: SPSS 24 Output, 2020

Based on the output results in Table 4.6, the following conclusions can be drawn:

a. The Effect of Dividend Policy (DPR) on Firm Value (PBV)

The DPR variable (X1) statistically shows results that have no significant effect on the PBV variable (Y) with a significance value greater than α ($0.136 > 0.05$). Then it can be concluded that the DPR variable has no significant positive effect on the PBV. Variable.

b. Effect of Capital Structure (DER) on Firm Value (PBV)

The DER variable (X2) statistically shows no significant effect on the PBV variable (Y) with a significance value greater than alpha ($0.683 > 0.05$). Therefore, it can be concluded that the DER variable has no significant positive effect on the PBV variable.

Simultaneous Test (F-test)

Statistical F-test is used to determine the relationship between the independent variables together with the dependent variable. The following table 7. is the output of simultaneous regression testing with SPSS statistical software:

Table 7. F-test Output

ANOVA^a

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.963	2	.982	1.659	.200 ^b
	Residual	32.550	55	.592		
	Total	34.513	57			

a. Dependent Variable: PBV

b. Predictors: (Constant), DER, DPR

Source: SPSS 24 Output, 2020

Based on the F statistical test output, it is shown that the significance value of the F test is greater than the α value of 0.05. Therefore, it can be concluded that all the independent variables used in this study have no significant effect simultaneously (simultaneously) on the dependent variable.

Coefficient of Determination (R-squared)

The coefficient determination value (R²) is used to measure the ability of the model to explain the relationship between the independent and dependent variables. The greater the value of R², the better the regression model (Winarno, 2011). The following table 8. is the output of the coefficient of determination:

Table 8. Determination Coefficient Output

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.239 ^a	.057	.023	.76929

Predictors: (Constant), DER, DPR^b.

Dependent Variable: PBV

Source: SPSS 24 Output, 2020

Based on the output results, it can be seen that the R² value is 0.239 or 23.9%. It shows that the 23.9% dependent variable of Company Value can be explained by the independent variables, namely Dividend Policy and Capital Structure. Meanwhile, the remaining 76.1% can be explained by other variables not discussed in this study.

Effect of Dividend Policy (DPR) on Firm Value (PBV)

The dividend policy variable (DPR) has a negative and insignificant effect on company value (PBV) in the agricultural sector companies sampled during the 2015-2019 period. The results of this study support previous researches (Oktowiati & Nurhayati, 2020; Fathony, 2021). It is proven by the results of the t-test (partial test), which shows the DPR's t-statistic value of 0.136, then H₀ is accepted. It means that the value of the company is negatively and not significantly affected by the dividend policy. It shows that if the dividend decreases, the value of the company will increase. This phenomenon is

because low dividends will cause the company's internal funds to strengthen because of the company's retained earnings increase. In addition, the company's performance also increases, which increases company value. It can be concluded that dividend policy has a negative and insignificant effect on company value. The conclusion is also supported by Franco Modigliani and Miller (MM) theory, which says that market prices and company value are not influenced by dividend policy. According to MM, the factor that affects the company's value is how much the company can earn a profit. Meanwhile, dividing profits into dividends and retained earnings do not affect company value (Takalar, 2010; Rosmika, 2020). The results of this study support the research conducted by Miftahurrohman (2014), which proves that the dividend policy (Dividend Payout Ratio) has a negative and insignificant effect on the firm value of the company.

Capital Structure (DER) to Firm Value (PBV)

The capital structure variable (DER) has a negative and insignificant effect on company value (PBV) in the agricultural sector companies sampled during the 2015-2019 period. The results of this study support previous research that has been done previously (Oktowiati, & Nurhayati 2020; Fathony, 2021). The results of this study are also supported by the results of research conducted by Nasehah (2012), which states that the Debt to Equity Ratio has a negative and not significant effect on firm value (PBV). The negative and insignificant effect shows the greater an increase in asset growth will reduce the capital structure. The company's growth is reflected in the assets owned by the company. The greater the profit earned by the company, whether it comes from investment activities carried out by investors or derived from the operational profits obtained, the company will use the profitability rather than increasing the debt level. Changes in the increase in an asset obtained by the company do not influence the management in making funding decisions to meet the company's funding needs. It is due to asset growth which is not followed by an increase in profit. It will not have an impact on the company's capital structure. This condition indicates that the company's assets with high levels tend to use these assets to carry out operations company (Zuhro & Suwitho, 2016). This research is in line with the previous research of Susanti and Suarjaya (2014) and Dewi and Sudhiarta (2013), Dewi & Sudiarta (2017) which was conducted in consumer goods industry companies in Indonesia Stock Exchange 2012-2014.

CONCLUSION

In this study, dividend policy and capital structure have a negative and not significant effect on firm value. It shows that if the dividend decreases, the value of the company will increase. This phenomenon is because low dividends will cause the company's internal funds to strengthen because of the company's retained earnings increase. The faster the company's growth

is reflected in the assets owned by the company. The greater the profit earned by the company, whether it comes from investment activities carried out by investors or derived from the operational profits obtained, the company will use the profitability rather than having to increase the level of the debt. The limitation of this research is the limited data that only include 14 agricultural companies listed on the Indonesia Stock Exchange in 2015-2019. This creates hurdle in portraying the complete financial picture of agricultural sector in Indonesia.

RECOMMENDATION

We recommend to include more companies to create a better financial picture of agricultural sector in Indonesia. Furthermore, we advise investors to reconsider the value of the firm which is investing in agricultural sector companies. We recommend that the future research agenda use a more accurate company assessment tool to invest. This study also suggests that agricultural companies should improve their performance to be more interested in investing in the company. In addition, the company maximizes profit only for the company but must also maximize value for investors. Further research is expected to increase the sample by using companies other than agricultural sector companies and the latest period.

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