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Analysis Of The Influence Of Dividend Policy On Company Value In Banking Sector Companies In 2019-2022

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Abstract

This research aims to see the influence that dividend policy has on company value in companies operating in the banking sector in the period 2019 to 2022. This research uses descriptive research with the data collection technique used is documentation study. The data analysis technique used is simple linear regression. The results of this research show that there is a significant influence on dividend policy on company value in banking sector companies in the period 2019 to 2022 with an influence size of 30.7%, while 69.3% is influenced by other factors.

Keywords:
Dividen Policy, Company Vallue, Banking

Introduction

Banks are one of the most inportant players in realizing the development of the business world and economy (Dwilita & Tambunan, 2019). So in this case, companies in the banking sector depend on the community as providers of funds and as users of funds. This can be seen from the daily lives of people in saving money and paying salaries, both in the government and private sectors, using the services of banking companies. A healthy bank is a bank that can carry out its functions properly. In other words, a bank is a company that can maintain and maintain public trust, so that it can carry out intermediary functions to help smooth payments and can be used according to its policies (Lestari & Nasution, 2024).

Dividend policy is one of the important financial decisions in a company's financial strategy, especially in the banking sector. Management's decision to distribute dividends or retain profits is an important signal for investors in assessing the company's performance. This policy not only affects investor confidence but also has a direct impact on the company's value. This influence can be measured through stock prices on the capital market at that time (Setiawati, 2020).

The banking sector in Indonesia plays a strategic role in the national economy, this is the foundation for major movements in providing financial services to the community and the business sector. The period from 2023 to 2024 is an interesting time to analyze, considering the various challenges and significant changes that have occurred, such as the impact of the

Covid-19 pandemic, the election of the post-Covid-19 pandemic economy, changes in monetary policy by Bank Indonesia, and shifts in investment trends. These conditions raise the need to evaluate the extent to which the company, especially in the context of economic uncertainty.

In Indonesia, dividend policy is often one of the main factors that attracts investors. A company that is able to provide dividends consistently and optimally is often seen as more stable and has good prospects (Nirawati et al., 2022). However, this policy must be balanced with the company's needs to allocate capital positions for investment, expansion, or meet the minimum capital requirements set by regulators.

Corporate actions of a company generally cause reactions in the capital market, such as when the company has announced the distribution of cash dividends (Sari et al., 2024). A company is an institution that is organized and run to provide goods and services to the community with the motivation of making a profit. As an institution, a company is an organized container, which is truly established and accepted in the order of community life. David (2017) explains that every company will maximize the wealth or value of the company for its shareholders.

In this context, research on the effect of dividend policy on the value of banking companies in Indonesia during the period 2019-2022 is important. This study aims to analyze how dividend policy can be a strategic instrument to increase company value, as well as understand other factors that may influence the relationship, such as profitability, growth rate, and market conditions.

Through this analysis, it is expected to provide insight for banking company management in formulating more effective financial policies, as well as providing references for investors in making more rational investment decisions. Thus, this study has practical and academic relevance in supporting the development of the banking sector in Indonesia.

Literature Review

Dividen Policy

Dividend policy is an important part that cannot be separated from a company's financial provisions (Siregar, 2019). Dividends are money given by a company to its shareholders. Dividends can be given either in cash or shares, which are usually issued quarterly. Dividends are only paid from retained earnings, not from capital stock or from profits received above par value (Silviana, 2014).

When a company earns net profit in a certain period, management will be faced with a decision in determining the use of the profit (Rahayu et al., 2024). Based on the explanations above, it can be concluded that dividend policy is a policy taken to distribute profits from the company to investors with the aim of spending future investments.

Factors that influence dividend policy include; (1) Company growth rate; (2) Restrictive covenant; (3) Profitability; (4) Earning stability; (5) Maintenance control; (6) Understanding financial leverage; (7) Ability to finance externally; (8) Uncertainty; and (9) Company size and age (Selvy & Ayerza, 2022)

Company Values

Company value is the price that prospective buyers are willing to pay if the company later has plans to sell (Ammy & Ramadhan, 2021). Company value is a certain condition that has been achieved by a company as a reflection of public trust in the company after going through

a process of activities for several years, namely since the company was founded until now. Company value is also called the company's market value, which is the price that prospective buyers are willing to pay if the company is sold (Mariani & Suryani, 2018).
Company value is very important because a high company value will be followed by high shareholder prosperity. The wealth of shareholders and the company is represented by the market price of shares which is a reflection of investment, funding and asset management decisions. Management in managing assets efficiently as an effort to improve financial performance and company value. One of the basic tasks of managers is to increase or maximize the value of the company (value of the firm). Company value shows the value of various assets owned by the company, including securities that have been issued (Nirawati et al., 2022).
Based on the market value concept approach or Price to Book Value (PBV), the stock price can be known to be above or below its book value. Basically, buying stocks means buying the company's prospects. A high Price to Book Value (PBV) will make investors confident in the company's prospects in the future. Therefore, the existence of the Price to Book Value (PBV) ratio is very important for investors and prospective investors to determine investment decisions.

Methods

The research approach used in this study is a descriptive approach. This research was conducted in the banking sector with a period of 2019 to 2020. The data collection technique used is the documentation technique. The documents obtained are financial reports from several companies engaged in the banking sector.
The data analysis technique used in this study is simple linear regression. To see the effect of dividend policy on company value in companies in the banking sector. The simple linear regression equation is:

$$Y = a + b\,X \text{ (Siregar, 2014: 379)}$$

Results

The results of the hypothesis testing of the influence of dividend policy on company value in companies operating in the banking sector can be seen in table 1, as follows:

Table 1. Partial Test Results

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	812.609	244.837		3.319	.005		
	Kebijakan Deviden	.013	.005	.595	2.766	.015	1.000	1.000
a. Dependent Variable: Nilai Perusahaan								

The table above shows the results of the t-statistic test so that it can explain the influence of the independent variables partially and significantly. The results of this study show that there is an influence of dividend policy on company value as follows:

1. A significance value of 0.015 indicates that the significance value of this data is less than 0.05. While the coefficient value is 0.13. This is in accordance with the results of statistical tests comparing the t-count with the t-table, that dividend policy has a positive and significant influence on company value.
2. The dividend policy variable has a t count of 2.766 with a significance value of 0.015 <0.05. By using the t-table, a t-table of 2.131 is obtained. This shows that the t count is 2.766, so H0 is rejected and Ha is accepted, meaning that dividend policy has an influence and is significant on the value of companies in the banking sector.

The coefficient of determination (R2) is used to determine the influence between the variables currently in this study. The results of the determination coefficient test can be seen in table 2 below.

Table 2. Results of the Determination Coefficient Test

Model	R	R Square	Adjust R Square
1	.595[a]	.353	.307
a. Predictors: (Constant), Dividen Policy b. Dependent Variable: Company Values			

Based on Table 2 above, it can be explained that the coefficient of determination (R2) is 0.595, which shows that the magnitude of the relationship between these two variables, with the Adjust R square, is 0.307 or can be said to be 30.7%. This means that the dividend policy variable can explain the company value variable by 30.7%. While the remaining 69.3% can be influenced by other factors such as profitability, investment decisions, leverage, and so on.

Based on Table 1, the following equation is obtained:

PBV= 812,609+0,013+e

The constant of 812.609 shows the value of the company proxied by PBV (Price Book Value). The regression coefficient figure of 0.013 means that an increase of 1 DPR (Dividend Payout Ratio) will also increase the PBV value by 0.013. While e shows how much other factors are not included in the regression model.

Discussion

The test results in this study provide the meaning that dividend policy has a significant influence on the value of the company in a positive direction. So that the hypothesis in this study can be accepted. This can be seen from the partial hypothesis test, namely the significance value is smaller than the dividend policy value or a value of 0.015 is smaller than 0.05. This shows that dividend policy has a significant and positive influence on the value of companies operating in the banking sector in the period 2019 to 2022.

Dividend policy is a decision regarding the company's profits whether they will be distributed as dividends or can be reinvested. Dividend policy shows the profits that will be paid to the company's shareholders in the form of dividends. The results of this study are in line with research conducted by Debbi Chyntia Ovami and Ananda Anugrah Nasution which states that dividend policy has a significant influence on company value (Ovami & Nasution, 2020). Furthermore, the results of this study are also in line with the results of research conducted by Selvy and Martha Ayerza Esra in 2022, where the results of the study showed that dividend policy has a positive influence on company value (Selvy & Ayerza, 2022).

Conclusion

Based on the research results and discussions above, it can be concluded that the dividend policy proxied by the dividend payout ratio (DPR) has a positive and significant influence on the company value proxied by the Price Book Value (PBV) in companies operating in the banking sector for the period 2019 to 2022.

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