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Influence Dividend Policy and Earning Per Share on Company Value in Food Sub Sector Companies and Listed Drinks on Bursa Efek Indonesia

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***Abstract**. This research aims to prove the influence of Dividend Policy and earnings per Share (EPS) on Company Value in Food and Beverage Companies listed on the Indonesia Stock Exchange (BEI) from 2016 to 2020. The type of data in this research process is quantitative where the data is obtained from financial reports. The population used in this research was 7 companies multiplied by 5 years, namely 35 observations. In this research, the method used is panel data regression, using the Chow test, Hausman test, and Lagrange test Multiplier and Common models Effect is the best model to use in this research. The research results show that the Dividend Policy (X1) does not have a significant effect on company value partially on Company Value (Y) and the Earning Per Share (EPS) variable has a partially significant positive effect on Company Value (Y). Company value is the company's performance as reflected by the share price which is formed by demand and supply in the capital market which reflects the public's assessment of the company's performance.*

***Keywords**: Company Values, Policies Dividends, Earning Per Share*

INTRODUCTION

The higher the *leverage structure* company, the greater the profits that will be obtained, and the greater the level of risk that investors will face later. It is based on this information analysis that investors can find out that a company has a high company value as the company's share price increases on the capital market. Harmono (2009) suggests that company value can be measured through the value of share prices in the market based on the formation of the company's share price in the market which is a reflection of the public's assessment of the company's real performance. For companies that have *gone public*, the company's value will be reflected in the market value of its shares. Likewise, according to Martono and Agus (2008) in Rosalina (2010), the higher the share price, the higher the company value.

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Many factors can determine company value, including there are dividend and earnings-per-share policies. Earnings per share is a ratio that shows how much profit investors or shareholders obtain per share (Darmadji, 2012). By knowing EPS, investors can assess the potential earnings per share. It can be used by company leaders to determine the company's development. An increase in total profit shows that earnings per share have also increased so that the share value reflects the increase in company value.

According to Halim and Hanafi (2009:86) in Eviani (2015) the meaning of dividend payout ratio or dividend payment ratio is a ratio that looks at the share of earnings or profits paid as dividends to investors. So, dividends are a reason for investors to invest. Investors have the main goal of increasing welfare by expecting returns in the form of dividends, while companies expect continuous growth to maintain their survival while providing prosperity to shareholders. A dividend policy is important to meet shareholder expectations regarding dividends without hampering the company's growth on the other hand.

Company value is influenced by several factors that are related to company value. The first factor is dividend policy which is measured by the Dividend Payout Ratio (DPR). According to Abdillah (2012), dividend policy is a policy regarding decisions taken by the company regarding whether profits earned will be distributed to shareholders as dividends or retained in the form of retained earnings to finance the company's investment in the future. The amount of dividends distributed by the company can influence share prices because investors prefer taking profits from dividends rather than capital gains.

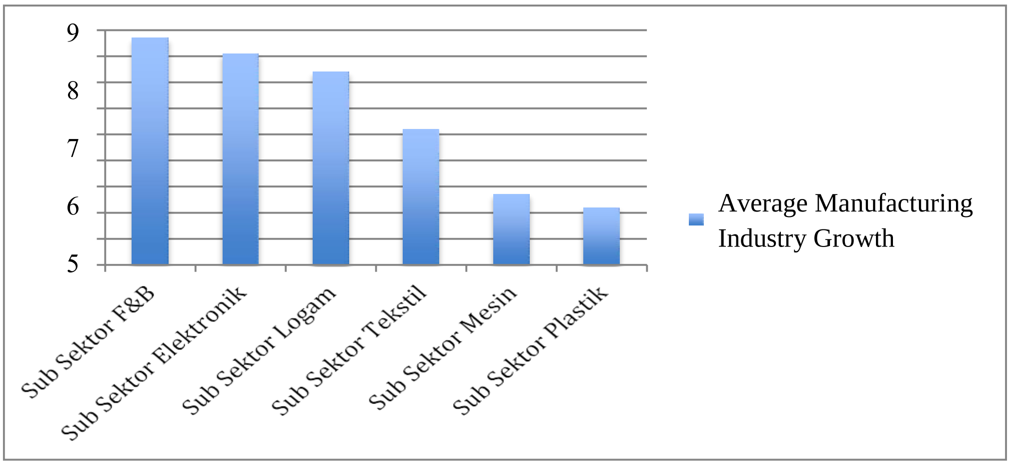
The consumer goods industry is an industrial sector with companies operating in the consumer goods industry such as food, beverages, medicines, cosmetics, cigarettes, and household appliances. Growth in demand for consumer goods is relatively stable as consumer purchasing power adjusts. Data from the Central Statistics Agency shows that an average of 51% of Indonesian people's monthly expenditure is aimed at food consumption, with ready-made food taking up the largest portion, around 11%-12% of total expenditure. This is what makes Indonesia's food and beverage processing industry interesting.

Table 1. Average Growth Industry Manufacture

No.	Manufacturing Company Group	Growth Average (%)
1	Sub Sector Industry Food and Drink	8.7
2	Sub Sector Electronic	8.1
3	Sub Sector Industry Metal and Kind of a lie that	7.4
4	Sub Sector Industry Textiles and Garment	5.2
5	Sub-Sector Industry Machines and Tools Heavy	2.7
6	Sub Sector Industry Plastic	2,2

Source: Speed Growth Industry www.bps.go.id

Table 1. shows the subsector industry's food & drink position first from the rate of growth of manufacturing companies. The food and beverage sub-sector is a sub-sector of industry goods consumption. In position second occupied by subsectors of industry electronics. Industry is one of the sub-sectors of various industrial sectors. And position third is sector industry metal and the like. The industry is one of the sub-sectors of the sector of basic industry and chemistry. In position fourth is a sub-sector industry of textiles and garments from various industrial sectors. Furthermore, position fifth is occupied by subsectors of industry machines and tools heavy from various industrial sectors. And finally the sub-sector plastic industry from sector basic industry and chemistry.



Source : Speed Growth Industry www.bps.go.id

Figure 1. Growth Average Industry Manufacture

Besides that, industry this is an industry where lots of big ones absorb power big work, and funds so to meet these funds company will need funds from investors, then from the writer interested in researching company food and beverages listed on the IDX with hope can give more information good for writers and potential investors who want to invest in shares.

The problems in this research are:

1) There are difficulties for investors in making investment decisions because the information obtained is not current with what is happening in the company.
2) Most investors only use estimates, because this method carries high risks and tends to be unprofitable
3) Investors have difficulty obtaining or analyzing information about factors that influence company value

Based on the background described above, the author puts forward the problem formulation as follows:

1) Does dividend policy affect company value? in food and beverage companies listed on the Indonesian Stock Exchange?
2) Does earnings per share affect company value? in food and beverage companies listed on the Indonesian Stock Exchange?
3) Do dividend policy and earnings per share simultaneously influence company value? food and beverage sub-sector listed on the Indonesian Stock Exchange?

Based on the phenomena that have been revealed, it is deemed necessary to examine in more depth the factors that influence company value and it can be concluded that the research title is as follows **"The Influence of Dividend Policy and Earnings Per Share on Company Value in Food and Beverage Companies Listed on the Indonesian Stock Exchange"**.

LITERATURE REVIEW

Agency Theory

According to Scott (2015), agency theory is a branch of game theory that studies contract schemes to motivate rational agents to act according to the wishes of the principal. An agency relationship exists when one party (principal) hires another party (agent) to carry out services and in that case, the principal delegates authority to the agent to make decisions. The emergence of conflict is often caused by information asymmetry or an information gap between the agent as the party providing the information and the principal and stakeholders as users. Managers can often act opportunistically and do what they want which is useful for maximizing their utility because they have more information, whereas the principal often it difficult to control the actions taken by management because they only have a little information from all the available information.

Signaling Theory

In trade-off theory, a company's decision to use debt is based on a balance between tax savings and the costs of financial distress. Meanwhile, based on signaling theory (signal theory), companies that can generate profits tend to increase the amount of debt, because additional interest payments will be offset by profit before tax.

According to Houston (2011: 186) "A signal is an action taken by company management that provides clues to investors about how management views the company's prospects." Thus, a company with highly profitable prospects should avoid selling shares, and instead raise the required new capital using new debt even though this would be a debt ratio above the target level. If a company with unprofitable prospects will fund it using shares, this means bringing in new investors to share the losses.

Policy Dividend

Dividend policy is a decision related to determining whether company profits will be distributed to shareholders as dividends or will be retained as retained earnings and then invested in the future (Suhartono, 2004). According to Hanafi (2004), dividends are compensation received by shareholders in addition to capital gains. Dividend payment policy has an impact on investors and on companies that pay dividends. It is hoped that the precise distribution of dividends by company management will meet the expectations of investors who like the certainty of dividends paid in each period. On the other hand, this policy should not hamper growth, let alone threaten the company's survival. The size of the dividend that will be paid by the company depends on the dividend policy of each company, so management consideration is very necessary. Thus, management must consider the factors that influence the dividend policy set by the company.

Earnings Per Share

According to Tandelilin (2010), the meaning of earnings per share is " earnings per share is the net profit after interest and tax which is ready to be distributed to shareholders divided by the number of company shares". Meanwhile, according to Syamsuddin (2013), namely: "earnings per share, which describes the amount of rupiah earned for each ordinary share". Thus, earnings per share is the amount of income received by shareholders from each share of ordinary shares outstanding within a certain period. Earnings per share (EPS) is a ratio to measure management's success in achieving profits for shareholders. Low EPS means that management has not succeeded in satisfying shareholders, and vice versa, high EPS will increase the prosperity of shareholders or obtain a high rate of return on shares (Kasmir 2010). Earnings per Share (EPS) is an important measure used to measure company performance. According to Reni and Suyanto (2015), earnings per Share (EPS) is a company's profits that can be distributed to shareholders. But in practice, not all of these profits can be distributed, some are retained as retained earnings.

According to Gitman and Zutter in Deitiana and Chriselda (2012) earnings per share is generally of interest to present or prospective stockholders and management. Earnings per share represent the number of dollars earned during the period on behalf of each outstanding share of common stock. The measuring instrument most often used to see how bona fide a company is is Earning Per Share (EPS).

The value of the company

A company is an organization that combines shared resources to produce goods and services (Salvatore, 2005). According to the theory of the company (theory of the firm), the main goal of the company is to maximize the wealth or value of the company. Maximizing company value in this case also means maximizing shareholder prosperity. Company value is the price that prospective buyers are willing to pay if the company is sold (Husnan, 2000). Company value in investor perception is the level of success of the company which is related to its share price. The share price used generally refers to the closing price price), and is the price that occurs when shares are traded on the stock exchange. A high share price makes the company value also high and increases market confidence in the company's current performance and prospects.

RESEARCH METHOD(S)

This research approach uses an associative/quantitative type of research. Associative research is research that aims to determine the influence between the dependent variable and the independent variable. This research can build a theory that can function to explain, predict, and control symptoms (Russiadi, 2013:14). Research variables include what variables will be studied. This research uses 2 (Two) independent variables, namely: the Dividend Policy variable (X1), the Earning Per Share variable (X2), and 1 (one) dependent variable, namely Company Value (Y).

The population in this study was taken from food and beverage companies listed on the Indonesia Stock Exchange (BEI) from the 2016-2020 period. The sample selection in this study used the Purposive Sampling method. The sample in this research that will be carried out is research data obtained from the Annual Reports namely from 2016-2020 which was taken directly from the Indonesia Stock Exchange via the site www.idx.co.id The sample chosen in this research by looking at the criteria as follows:

1. Food and beverage companies listed on the Indonesia Stock Exchange from 2016-2020.
2. Food and beverage companies that issue financial reports that have been audited and published.
3. Have complete data regarding the variable data to be studied.

From the criteria statement above, the samples taken were 7 (nine) food and beverage companies on the Indonesia Stock Exchange. The type of data used in research is quantitative data. The technique used in this research is using documentation study data collection techniques. The technique used in this research is a quantitative approach, using the Eviews version 9 application.

FINDINGS AND DUSCUSSION

Based on panel data processing using a fixed approach effect model, the results of the regression equation are as follows:

$$Y_{it} = -78.69626 – 1.426272_{it} +0.609328_{it}$$

The panel data regression equation above can be interpreted as follows:

a. The constant (α) of -78.69626 indicates that in general if the Dividend Policy and *earnings per Share* (EPS) are constant or do not change, so the share price is -78.69626.
b. The regression coefficient for the Dividend Policy with the DPR proxy is -1.426272, meaning that if the other independent variables remain constant and the Dividend Policy experiences an increase of 1%, the value of the company will experience a decrease of -1.426272. The coefficient is negative, meaning

that there is a negative relationship between Dividend Policy and Company Value as the policy increases. dividends, the more the company value decreases.

c. The regression coefficient for *earnings per Share* (EPS) is 0.609328, meaning that if the other independent variables remain constant and earnings per Share (EPS) increases by 1%, the company value will increase by 0.609328. The coefficient is positive, meaning that there is a positive relationship between *Earning Per Share* (EPS) and company value. The higher *the earnings per Share* (EPS), the higher the share price.

The Partial Effect of Dividend Policy on Company Value

The research results for the Dividend Policy variable show that the Dividend Policy with the DPR proxy does not affect company value. The results of this analysis are consistent and support the results of previous research conducted by Sumarni and Mangantar (2015) which said that dividend policy does not show an effect on company value. This means that the high and low dividends paid to shareholders are not related to the high or low value of the company. Each dividend payment by the company will reduce the amount of retained earnings used to purchase new assets. Indirectly, companies prefer to buy new assets for the common good rather than distributing dividends to investors which are only detailed and do not affect the investors' welfare.

Meanwhile, this research is not consistent with research conducted by Astianah and Aji (2017) which concluded that dividend policy influences company value, which can be good information for shareholders. And shareholders prefer dividend payments compared to the size of the company's retained earnings, besides that it has more certainty than *capital gains*. Also supported by research by Sari (2013) which states that dividend policy has a positive and significant effect on company value, the greater the dividend distributed to shareholders, the better the performance of the issuer or company will be considered and ultimately the value of the company will increase.

The conflict between management and shareholders in a company where a manager and shareholders have different or contradictory incentives so that managers do not want to work for shareholders except for their interests, then the company's dividend policy can be considered by shareholders as a tool to minimize agency costs. Agency fees are costs, such as reducing stock prices, are associated with potential conflict between managers and investors when the two groups differ from each other (Keown et al, 2008:617). Assuming that dividend payments require management to fund new investments, new investors will likely be attracted to the company only if management provides convincing information that the capital will be used profitably. So dividend payments indirectly result in tighter monitoring of management's investment activities, dividends can be a significant contribution to company value.

The theory related to this research is the Signaling Theory, namely the increase/decrease in dividend prices because there is a tendency for share prices to rise if there is an announcement of an increase in dividends, and share prices will fall if there is an announcement of a decrease in dividends. There is another argument that is more reasonable and rational, dividends themselves do not cause an increase (decrease) in prices, but the company's prospects, which are indicated by the increase (decrease) in dividends paid, which causes changes in shares. According to *Signaling Theory* Dividends contain information, namely the company's prospects.

The Effect of Partial Earning Per Share (EPS) on Company Value

The research results for the Earning Per Share (EPS) variable show that Earning Per Share (EPS) has a positive influence on Company Value. The results of this research are consistent with research by Mindra and Teguh (2012) which states that *Earning Per Share* (EPS) has a significant influence on company value in Food and Beverage companies listed on the Indonesia Stock Exchange (BEI). Earning Per Share shows the company's ability to make a profit per share in circulation, which means that with Earning Per Share (EPS) investors will easily find out how much profit the company makes on the shares it owns. Investors tend to have a positive assessment of the increase in Earning Per Share (EPS) because it is fundamental evidence of the company's actual performance conditions. Investors will be interested in holding shares with high EPS values in the hope that the share price will increase quickly, which means it will bring profits to shareholders. Liquid shares tend to increase prices quite quickly because demand for share prices is quite high. If the price increases, the ratio with the book value of the stock will increase. This situation causes EPS to have a real influence on the PBV value of food and beverage companies on the Indonesian Stock Exchange.

Meanwhile, other research is contradictory and inconsistent, namely the research conducted by Sukaenah (2014) is not in line with the results of researches which state that *Earning Per Share* (EPS) does not have a significant effect on company value in Food

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and Beverage companies listed on the 2016-Indonesia Stock Exchange. 2020. This may be due to differences in periods and research companies that do not provide complete and detailed financial reports on the Indonesian Stock Exchange. Research conducted by Brigham (2010) states that there is a negative relationship where when EPS increases, the PBV value decreases (and vice versa). Profit information shown through EPS does not reflect the share price which is the basis for calculating company value.

Earning Per Share (EPS) information reflecting good management performance will be received by the market as a good signal that will provide positive input for investors in making decisions to buy shares. This causes demand for shares to increase, so the price will rise. This positive signal can indicate the company's liquidity conditions are good and the company can meet investors' needs in the form of dividends.

Influence of Dividend Policy and Earning Per Share (EPS) on Company Value.

Simultaneously, the variables Dividend Policy and Earning Per Share (EPS) together influence the value of Food and Beverage companies listed on the Indonesia Stock Exchange (BEI). The results of this research support research conducted by Hizkia, Tommy, and Sepang (2018) that DPR, EPS, and ROE simultaneously have a significant effect on stock prices.

These three variables are suitable for use as consideration for assessing shares that are reflected in company value. So the company value that is formed is the result of investors' assessment of the company's financial performance factors that can influence the company.

CONCLUSION AND RECOMMENDATION

Conclusion

Based on the results of the research and discussion, the following conclusions can be drawn:

1. From the test results via the Chow test, Hussman test, and Lagrange the Multiplier proves that the selected model is the model common effect, so the model common effect is the best model to use in this research.
2. Dividend policy does not affect company value.
3. Earning Per Share (EPS) has a positive effect on company value in food and beverage companies listed on the Indonesia Stock Exchange (BEI) in 2016-2020.

4. Dividend and Earning Per Share Policy (EPS) simultaneously influences the company value of food and beverage companies listed on the Indonesia Stock Exchange (BEI) in 2016-2020.

Recommendations

Based on the research results and conclusions above, the suggestions that can be conveyed by the author are as follows:

1. Future researchers are advised to use and add research variables, as well as test other factors that can influence stock prices. Future researchers also need to pay attention to and differentiate between the companies that will be studied regarding share prices. Apart from that, for the research period, it is better to extend the research period and use the latest year to provide an up-to-date picture of the condition of the consumer goods sector and the food and beverage sub-sector.
2. Capital market players, especially investors and potential investors who will invest must be able to analyze the company's financial reports before investing.
3. Issuers are advised to further improve their company's overall performance in all aspects so that it can make it easier for potential investors to make choices.

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