INVESTMENT OPPORTUNITY SET OF COMPANY VALUE WITH DIVIDEND POLICY AS MEDIATION ON MANUFACTURING COMPANIES

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Abstract
This study aims to analyze whether IOS and dividend policy have a positive direct effect on firm value, and whether dividend policy mediates the indirect effect of IOS on firm value in manufacturing companies listed on the Indonesian stock exchange for the period 2017 to 2019. This study is a research study. quantitative analysis model with Pooled Least Square (PLS) with secondary data in the form of financial statements of manufacturing companies listed on the Indonesia Stock Exchange obtained through web.idx.co.id. Data analysis using Software Eviews Version 10. The population of this research is 182 companies listed on the Indonesian stock exchange. While the research sample is 33 companies using purposive sampling technique with the criteria of manufacturing companies listed on the Indonesian stock exchange that use the rupiah currency in their financial statements and publish annual reports that have been audited in full and have consistent data and pay dividends regularly, consistent throughout the study period. The results of the mediation comparison coefficient analysis show that the direct effect is 0.235727 while the indirect effect must be calculated by multiplying the indirect coefficient from structure 1, namely (-0.617330) x (0.136667) = -0.0843. Because the direct relationship coefficient is greater than the indirect relationship coefficient, it can be said that the actual relationship is not able to mediate reinforced with a significance value above = 5%, which is 0.8125.

Keywords: Investment Opportunity Set, Dividend Policy, Firm Value

INTRODUCTION
Firm value is the price that prospective buyers are willing to pay if the company is sold (Wiagustini, 2014). The market price is considered a reflection of the actual value of the company's assets (Sudiani & Damayanti, 2016). High stock prices make the value of the company also high which shows the company's prospects in the future.

In the theory of the company, the main purpose of establishing a company is to maximize the value of the company (Dewi et al., 2018). If the value of the company is high, the prosperity of the shareholders will also increase (Putra & Lestari, 2016).
Firm value is influenced by the Investment Opportunity Set (IOS), which is the choice of opportunities to invest in the future that can affect the growth of company assets or projects that have a positive net present value (Hidayah, 2015). So that it affects the investor's perspective on the value of the company (Kallapur & Trombley, 2001). IOS depends on the company's expenses for future interests (Gaver, 1993). IOS proxied by CAPBVA and MVBVE has a positive effect on firm value (Hidayah, 2015).

Firm value is also influenced by financial decisions taken by the company (Purnama, 2016). Such as decisions regarding dividend policy, namely the policy to decide whether the profits that have been obtained by the company will be distributed to shareholders or will be withheld (Putra & Lestari, 2016). According to Brigham & Houston (2011). IOS is a factor that directly and indirectly affects dividend policy and firm value (Siboni & Pouralli, 2015). Suartawan & Yasa (2016) found that dividend policy is influenced by IOS and partially mediates the effect of IOS on firm value.

**LITERATURE REVIEW**

Research conducted by Billy Dharmawan & Fahrul Riza (2019) states that IOS as proxied by MVBVE has a positive and significant effect on firm value. Dividend policy proxied by the Dividend Payout Ratio has a positive and significant effect on firm value. IOS has a significant positive effect on dividend policy. Dividend policy partially mediates the indirect effect of IOS on firm value.

Firm value is an investor's perception of the company that can be associated with stock prices. The value of the company or also called the market value of the company is the price that prospective buyers are willing to pay if the company is sold (Wiagustini, 2014). The higher the value of the company, the greater the prosperity received by the owner of the company. For companies that issue shares in the capital market, the price of shares traded on the stock exchange is an indicator of the value of the company. According to Harjito & Martono (2013, p. 13) states that the value of the company is the value that occurs when the company is sold. For companies that go public, the value of the company will be reflected in the value of its share price, the higher the share price, the higher the value of the company. One indicator that can affect the value of the company is the Price Earning Ratio. According to (RM. Riadi, 2004), PER is a comparison between the company's stock price and earnings per share in shares. PER is a function of changes in expected future earnings capabilities. The greater the PER, the greater the possibility of the company to grow so as to increase the value of the company. According to Bhayo et al. (2011) companies with the same industry, the same income level, even the same company size can have different price earning ratios. This can happen because market prices show investors' perceptions of each company's profit in the future and not only now.

Firm value is influenced by the Investment Opportunity Set (IOS), which is the choice of opportunities to invest in the future that can affect the growth of company assets or projects that have a positive net present value (Hidayah, 2015). So that it affects the
Investment Opportunity Set Of Company Value With Dividend Policy As Mediation On Manufacturing Companies

Investor's perspective on the value of the company (Kallapur & Trombley, 2001). IOS depends on the company's expenses for future interests (Gaver, 1993).

IOS proxied by CAPBVA and MVBVE has a positive effect on firm value (Hidayah, 2015). IOS are investment options available to individuals or companies that companies can make. Investment opportunities owned by the company affect the views of managers, owners, investors and creditors about the value of the company. According to Myers (1977), IOS is an investment decision in the form of combining assets owned and future investment options with a positive net present value that will affect the value of the company. According to Kole & Lehn (1991) investment opportunity depends on future and current management costs which are expected to provide a return that is greater than the cost of capital. Therefore, it can be concluded that IOS is the correlation between current spending and future value or prospects as a result of investment decisions to generate investor value.

Firm value is also influenced by financial decisions taken by the company (Purnama, 2016). Such as decisions regarding dividend policy. According to Brigham & Houston (2011, p.211), the best company dividend policy is a policy that balances current dividends and future growth and can maximize stock prices. Dividend policy is a profit placement decision, whether the profits earned by the company will be distributed to investors as dividends or will be stored in the form of retained earnings to finance future investments. Retained earnings are the most important source of funds to finance company growth. (Fauziah, 2017, p.7). Dividend policy indirectly affects the capital structure, because dividends are sourced from profit sharing. On the one hand, one of the sources of company capital is profit. Thus, dividend policy is a complement to the capital structure. Similar to the capital structure, dividend policy is also influenced by the same factors. Therefore, the distribution of dividends includes the company's strategy, the signal to be conveyed, and so on. (Sedana & Wijaya, 2005, p.48). According to Brigham & Houston (2011, p.211), the best company dividend policy is a policy that balances current dividends and future growth and can maximize stock prices. According to Gumanti (2013, p.22) Dividend payout ratio is a way to measure dividend policy. The dividend payout ratio is measured by dividing the dividend per share by the net income per share.

There are several theories that explain dividend policy (Fauziah, 2017). First, Irrelevant Theory, Modigliani & Miller, that the value of a company does not depend on the size of the dividend payout ratio (DPR), but is determined by net income before tax and the level of company risk. Second, The Bird in The Hand Theory, that if the dividend distribution is high, it can increase stock prices and firm value. An increase in dividends means that management is optimistic about the company's future. Third, Signal Theory, that the company's management expects that the company's performance can produce a positive signal. A positive signal will encourage more investors to invest in the company, thereby increasing the value and price of the company's shares.
RESEARCH METHODS

In the early stages of the research, researchers have conducted a literature study by collecting literature from various books that include theories regarding the Investment Opportunity Set (IOS), dividend payout ratio (DPR) and firm value. In addition, researchers collect various research results that have variables related to the variables being studied. This is intended to obtain research gap research. In the next stage, researchers will collect data related to IOS, DER and the value of manufacturing companies listed on the Indonesian stock exchange from the idx.co.id website during the period 2017 to 2020.

This research is a quantitative research with Pooled Least Square (PLS) analysis model which consists of three variables, namely: IOS as an independent variable proxied by MVBVE, dividend policy as the first dependent variable which also acts as a mediating variable proxied by DPR, and lastly firm value which is proxied by Price Earning Ratio as the second dependent variable.

The population is a collection of groups of objects in the study. According to Sugiyono (2017, p.80) "Population is a generalization area consisting of objects or subjects that have certain quantities and characteristics and are set by researchers to study and conclude the results. Thus, the population in this study are manufacturing companies listed on the Indonesian stock exchange as many as 182 companies. While the research sample is 33 companies using purposive sampling technique with the criteria of manufacturing companies listed on the Indonesian stock exchange that use the rupiah currency in their financial statements and publish annual reports that have been audited in full and have consistent data and pay dividends regularly consistent throughout the study period.

At the data analysis stage, this study conducted a descriptive analysis to describe the object under study through the research sample, then an inferential analysis was carried out to test the partial and simultaneous effect of the three variables studied. The stages of model testing were carried out by Chow, Hausman and LM tests in order to obtain the best model between common effects, fixed effects or random effects. After knowing the best model, then partial hypothesis testing and mediation are then carried out.

The econometric model of this research is as follows:

\[ \text{PER}_{it} = \beta_0 + \beta_1 \text{MVBVE}_{it} + \beta_2 \text{DPR}_{it} \]
\[ \text{DPR}_{it} = \alpha_0 + \alpha_2 \text{MVBVE}_{it} \]

PER = Price Earning Ratio I Company on t Year
MVBVE = Market to Book Value of Equity I Company on t Year
DPR = Dividend Payout Ratio I Company on t Year
\[ \beta_0 = \text{Equation constant 1} \]
\( \alpha_0 = \text{Equation constant 2} \)

\( \beta_1 = \text{Regression coefficient MVBVE} \)

\( \beta_2 = \text{Regression coefficient DPR from equation 1} \)

\( \alpha_1 = \text{Regression coefficient MVBVE from equation 2} \)

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**Figure 1**

Research Framework
RESULT AND DISCUSSION

Structure Data Analysis 1

A. Estimated Influence PER

i. Panel Data Regression Model Selection

This study uses a panel data regression model consisting of three models, namely the common effect model (CEM), fixed effect model (FEM), and random effect model (REM). To choose which model to use, a paired test will be carried out for each model.

1. Paired Test of Two Models

a. Common Effect dengan Fixed Effect (Chow Test)

The chow test is used to determine which model will be chosen in the estimation of the panel data regression model, between common effects or fixed effects. Tests were carried out with the F or chi-squared statistical test with the following hypotheses:

\[ H_0: \text{The common effect model is better than the fixed effect} \]

\[ H_1: \text{Fixed effect model is better than common effect} \]

If the probability value of the F-test or chi-square test is less than \( \alpha = 0.05 \), then \( H_0 \) is rejected so that \( H_1 \) is accepted. This means that the fixed effect model is better than the common effect model in estimating panel data regression. Otherwise, \( H_0 \) is accepted while \( H_1 \) is rejected, which means that the common effects model is better than the fixed effects model in estimating panel data regression.

Based on the table below, it can be seen that the results of the chow test show that the probability value of the chi-square test is smaller than \( \alpha = 0.05 \) (5%) thus \( H_0 \) is rejected and \( H_1 \) is accepted, which means that the fixed effect model is better at estimating the panel data regression compared to common effects.

Chow Test Results

PER as Dependent Variable

<table>
<thead>
<tr>
<th>Effects Test</th>
<th>Statistic</th>
<th>d.f.</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-section F</td>
<td>58.079556</td>
<td>(32,64)</td>
<td>0.0000</td>
</tr>
<tr>
<td>Cross-section Chi-square</td>
<td>336.849722</td>
<td>32</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

b. Fixed Effect Model with Random Effect (Hausman Test)

Hausman test (Hausman test) is used to determine which model will be selected in the estimation of the panel data regression model, between fixed effects or random effects. The test is carried out with the following hypotheses:

\[ H_0 : \text{Random effect model is better than fixed effect} \]

\[ H_1 : \text{Fixed effect model is better than random effect} \]
If the probability value (Prob) of the chi-square Hausman test is less than $\alpha = 0.05$, then $H_0$ is rejected and $H_1$ is accepted. Thus, it can be interpreted that the estimation of panel data regression is better using the fixed effect model than the random effect model. Otherwise, $H_0$ is accepted while $H_1$ is rejected, which means that the random effects model is better than the fixed effect model in estimating panel data regression. Berdasarkan tabel dibawah terlihat bahwa hasil Hausman test menunjukkan nilai probabilitas chi square kurang dari $\alpha = 0.05$ dengan nilai chi square 0.0075 sehingga regresi data panel yang lebih baik adalah model fixed effect.

**Hausman Test Result**

**PER as Dividend Variable**

<table>
<thead>
<tr>
<th>Test Summary</th>
<th>Chi-Sq. Statistic</th>
<th>Chi-Sq. d.f.</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-section random</td>
<td>9.786674</td>
<td>2</td>
<td>0.0075</td>
</tr>
</tbody>
</table>

**B. Model Conclusion**

It can be concluded that the results of paired testing of the three models, based on the table above, shows that the model used in panel data regression to estimate the effect is the fixed effect (FEM) model.

**Conclusion Table of Panel Data Regression Model Testing**

**PER as Dependent Variable**

<table>
<thead>
<tr>
<th>No</th>
<th>Metode</th>
<th>Pengujian</th>
<th>Hasil</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Chow Test</td>
<td>Common Effect vs Fixed Effect</td>
<td>Fixed Effect</td>
</tr>
<tr>
<td>2</td>
<td>Hausman Test</td>
<td>Fixed Effect vs Random effect</td>
<td>Fixed Effect</td>
</tr>
</tbody>
</table>

**i. Panel Data Regression Model Selection**

Regression coefficient testing was conducted to determine the effect of the independent variable on the dependent variable partially. Partial test results can be seen in the table below:
Panel Data Regression Results

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1</td>
<td>-0.617330</td>
<td>0.713108</td>
<td>-0.865691</td>
<td>0.3899</td>
</tr>
<tr>
<td>X2</td>
<td>0.136667</td>
<td>0.089334</td>
<td>1.529843</td>
<td>0.1310</td>
</tr>
<tr>
<td>C</td>
<td>25.71499</td>
<td>4.541184</td>
<td>5.662619</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

From the table above panel data regression using EView's 10, the following equation is obtained:

\[ \text{PER} = 25.71499 - 0.617330 \text{MVBVE} + 0.136667 \text{DPR} + e \]

ii. Hypothesis Test Results

Partial testing is carried out to determine the extent to which the independent variables individually influence the dependent variable and are said to have a significant effect if the probability value of each independent variable obtained is less than the significant level used.

Partial Test Results

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
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<td>X1</td>
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<td>-0.865691</td>
<td>0.3899</td>
</tr>
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<td>0.1310</td>
</tr>
<tr>
<td>C</td>
<td>25.71499</td>
<td>4.541184</td>
<td>5.662619</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

The table above shows that the probability values for the MVBVE and DPR variables. They are -0.617330 and 0.136667, respectively. The significant level used is 0.05 on stock prices, so MVBVA has a positive effect on PER and not significant.

Structure Data Analysis 2

A. Estimasi Pengaruh MVBVE

i. Panel Data Regression Model Selection

This study uses a panel data regression model consisting of three models, namely the common effect model (CEM), fixed effect model (FEM), and random effect model (REM). To choose which model to use, a paired test will be carried out for each model.

1. Uji Berpasangan Dua Model

a. Common Effect dengan Fixed Effect (Chow Test)

Uji chow (chow test) digunakan untuk menentukan model mana yang akan dipilih dalam estimasi model regresi data panel, antara common effect atau fixed effect.
Pengujian dilakukan dengan uji statistik F atau chi-kuadrat dengan hipotesis sebagai berikut:

\[ H_0 \] : Model common effect lebih baik dari fixed effect
\[ H_1 \] : Model fixed effect lebih baik dari common effect

The chow test is used to determine which model will be chosen in the estimation of the panel data regression model, between common effects or fixed effects. Tests were carried out with the F or chi-squared statistical test with the following hypotheses:

\[ H_0 \] : The common effect model is better than the fixed effect
\[ H_1 \] : Fixed effect model is better than common effect

If the probability value of the F-test or chi-square test is less than \( \alpha = 0.05 \), then \( H_0 \) is rejected so that \( H_1 \) is accepted. This means that the fixed effect model is better than the common effect model in estimating panel data regression. Otherwise, \( H_0 \) is accepted while \( H_1 \) is rejected, which means that the common effects model is better than the fixed effects model in estimating panel data regression.

Based on the table below, it can be seen that the results of the chow test show that the probability value of the chi-square test is smaller than \( \alpha = 0.05 \) (5%) thus \( H_0 \) is rejected and \( H_1 \) is accepted, which means that the fixed effect model is better at estimating the panel data regression compared to common effects.

### Chow Test Results

#### PER as Dependent Variable

<table>
<thead>
<tr>
<th>Tabel 6</th>
<th>Effects Test</th>
<th>Statistic</th>
<th>d.f.</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-section F</td>
<td>5.695503</td>
<td>(32,65)</td>
<td>0.0000</td>
<td></td>
</tr>
<tr>
<td>Cross-section Chi-square</td>
<td>132.267692</td>
<td>32</td>
<td>0.0000</td>
<td></td>
</tr>
</tbody>
</table>

b. Fixed Effect Model with Random Effect (Hausman Test)

Hausman test (Hausman test) is used to determine which model will be selected in the estimation of the panel data regression model, between fixed effects or random effects. The test is carried out with the following hypotheses:

\[ H_0 \] : Random effect model is better than fixed effect
\[ H_1 \] : Fixed effect model is better than random effect

If the probability value (Prob) of the chi-square Hausman test is less than \( \alpha = 0.05 \), then \( H_0 \) is rejected and \( H_1 \) is accepted. Thus, it can be interpreted that the estimation of panel data regression is better using the fixed effect model than the random effect model. Otherwise, \( H_0 \) is accepted while \( H_1 \) is rejected, which means that the random
effects model is better than the fixed effect model in estimating panel data regression. Berdasarkan tabel dibawah terlihat bahwa hasil Hausman test menunjukkan nilai probabilitas chi square kurang dari $\alpha = 0.05$ dengan nilai chi square 0,0075 sehingga regresi data panel yang lebih baik adalah model fixed effect.

**Hausman Test Result**

**PER as Dividend Variable**

<table>
<thead>
<tr>
<th>Test Summary</th>
<th>Chi-Sq. Statistic</th>
<th>Chi-Sq. d.f.</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-section random</td>
<td>6.057580</td>
<td>1</td>
<td>0.0138</td>
</tr>
</tbody>
</table>

Cross-section random effects test comparisons:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Fixed</th>
<th>Random</th>
<th>Var(Diff.)</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1</td>
<td>0.235727</td>
<td>1.815883</td>
<td>0.412193</td>
<td>0.0138</td>
</tr>
</tbody>
</table>

**B. Model Conclusion**

It can be concluded that the results of paired testing of the three models, based on the table above, shows that the model used in panel data regression to estimate the effect is the fixed effect (FEM) model.

**Conclusion Table of Panel Data Regression Model Testing**

**DPR as Dependent Variable**

<table>
<thead>
<tr>
<th>No</th>
<th>Metode</th>
<th>Pengujian</th>
<th>Hasil</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Chow Test</td>
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<td>Fixed Effect</td>
</tr>
<tr>
<td>2</td>
<td>Hausman Test</td>
<td>Fixed Effect vs Random effect</td>
<td>Fixed Effect</td>
</tr>
</tbody>
</table>

**i. Hasil Regresi Data Panel**

Regression coefficient testing was conducted to determine the effect of the independent variable on the dependent variable partially. Partial test results can be seen in the table below:

**Panel Data Regression Results**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1</td>
<td>0.235727</td>
<td>0.989675</td>
<td>0.238186</td>
<td>0.8125</td>
</tr>
<tr>
<td>C</td>
<td>43.99651</td>
<td>3.158350</td>
<td>13.93022</td>
<td>0.0000</td>
</tr>
</tbody>
</table>
From the table above panel data regression using EView's 10, the following equation is obtained:

\[ \text{DPR} = 43.99651 + 0.235727 \text{MVBVE} + e \]

**Hypothesis Test Results**

Partial testing is carried out to determine the extent to which the independent variables individually influence the dependent variable and are said to have a significant effect if the probability value of each independent variable obtained is less than the significant level used.

**Partial Test Results**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>( t )-Statistic</th>
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<td>0.0000</td>
</tr>
</tbody>
</table>

From the table above shows that the probability value for the variable x1 is 0.8125. The significant level used is 0.05 on stock prices, so MVBVA has a positive effect on PER and not significant.

**Comparative Analysis of Structure 1 and Structure 2 to See the DPR's Ability to Mediate IOS against PER**

To test the effect of the mediating variable, a comparison of the coefficient values of each model structure was used. This analysis is used to see how big the role of the DPR variable in mediating MVBVE on PER which is an extension of multiple linear regression analysis, or path analysis is the use of regression analysis to estimate causality relationships between variables (causal or causal models) that have been previously determined based on theory.

**Structure Regression Table 1**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>( t )-Statistic</th>
<th>Prob.</th>
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</thead>
<tbody>
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<td>0.0000</td>
</tr>
</tbody>
</table>
Structure Regression Table 2

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
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<td>3.158350</td>
<td>13.93022</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

The results of the mediation comparison coefficient analysis show that the direct effect is 0.235727 while the indirect effect must be calculated by multiplying the indirect coefficient from structure 1, namely \((-0.617330) \times (0.136667) = -0.0843\). Because the direct relationship coefficient is greater than the indirect relationship coefficient, it can be said that the actual relationship is not able to mediate reinforced with a significance value above \(= 5\%\), which is 0.8125.

CONCLUSIONS AND SUGGESTIONS

Conclusions
Based on the results of this study, it shows that there is an influence between dividend policy, investment opportunities and firm value in manufacturing companies listed on the Indonesia Stock Exchange in 2017-2019. The contribution made by the dividend policy is not strong enough. This shows that there are other factors that are stronger in influencing firm value in manufacturing companies.

Dividend policy has an effect on firm value. When there is an increase in the dividend payout ratio, there will be an increase in the value of the company. This situation forced the management to continue to maintain the level of the Dividend payout ratio in order to remain stable and not fluctuate. Due to the instability of the dividend payout ratio provided by the company, shareholders will not believe in the company's future prospects. The factors that affect the value of the company are very diverse, one of which is dividend policy and debt policy. However, dividend policy and debt policy are factors that are not strong enough to affect firm value.

Limitations
1. The object of this research consists of various industries so that they do not have an equal level of comparability or comparability between one company and another.
2. The following research is recommended to focus on the same industry sector, and more years of observation.
3. The proxy formula uses other ratios used in the estimation of research variables.
4. Some research results are not in accordance with previous empirical data due to the characteristics, behavior and culture of investors in developed countries.

Recommendations
1. This research can be developed by adding other independent variables that affect firm value and dividend policy.
2. This research can be developed by increasing the time of research and observation, as well as observational data.

3. Future research can use testing with other analyzes.

REFERENCES


