

THE EFFECT OF PRICE EARNING RATIO, DIVIDEND POLICY AND FUNDING DECISIONS ON COMPANY VALUE IN THE PROPERTY AND REAL ESTATE SECTOR LISTED ON THE IDX

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Abstract

The purpose of this study is to determine the effect of price earning ratio, dividend policy, and funding decisions on company value in the property and real estate sector listed on the Indonesia Stock Exchange. This study uses a quantitative research type. The population is 93 companies, after purposive sampling technique, 10 companies were obtained with an observation year range from 2019 - 2023, so that there are 50 observation data. The method used in this study is panel data regression analysis. As dependent variables in this study, price earning ratio, dividend policy, funding decisions and company value as independent variables. The results of this study are that partially the price earning ratio and funding decisions have a positive and significant effect on company value, dividend policy has a positive but not significant effect on company value in the property and real estate sector listed on the Indonesia Stock Exchange (IDX).

Keywords: *Price Earning Ratio, Dividend Policy, Financing Decision, Firm Value.*

INTRODUCTION

BEI, which is also included as the Indonesia Stock Exchange (IDX), is an institution that offers facilities and infrastructure for financial instrument transactions such as securities, bonds, and others in Indonesia (Hulasoh & Mulyati, 2022). BEI functions as a strategic bridge between companies that need funding and investors who wish to invest their capital, by maintaining the principles of transparency, order, and efficiency in every transaction. Among the various sectors listed on the Indonesia Stock Exchange (BEI), the property and real estate sector has an important contribution. This study focuses its research objects specifically on companies engaged in the property and real estate sector during the period 2019 to 2023. Companies that focus on property and real estate are usually engaged in the development, sales, and management of various types of property, including housing, apartments, office buildings, shopping centers, and other commercial projects (Iliyanis, 2023). This sector is often used as an important indicator in measuring the dynamics of a country's economy and investment in the capital market, where the companies in it are responsible for the management, development, and sales of property (Putri, 2020).

However, the property and real estate sector faces various challenges. The stock index of companies in this sector has experienced a significant decline due to the impact of the COVID-19 pandemic, inflation, and changes in macroeconomic conditions. Data shows that in 2022, the stock index of this sector recorded a negative figure of 8.0%, this value is recorded much lower than the achievement in 2019 which reached 22.9% year-on-year (YoY). However, there are positive signals in 2023 with an increase in the stock index to 6.1% compared to the previous year (idx.co.id). So, the success of a company can be seen through the increase in the company's value. Company value is one of the main indicators used by investors to assess the performance and success of a business entity in generating sustainable economic value. Company value indicates investors' response to how successful the company is, which is related to its stock price (Fajriah et al., 2022). An increase in stock prices reflects the market's positive perception of the company's performance, which in turn indicates that the company's value is at a high level. A company with a high value can have an impact on the welfare of shareholders, so that they will invest their capital in the company.

There are several factors that affect the value of a company, including the price to earnings ratio (PER), dividend policy, and financing decisions. The price earnings ratio to revenue serves as an indicator of the

company's potential to generate profits in the future. According to (Nisa et al., 2021) this ratio is viewed by investors as a reflection of the company's ability to create long-term profit growth. Thus, the higher the PER value, the higher investors' expectations of the company's net profit growth in the future. One of the factors that influences the company's value is dividend policy. According to Sartono (2011) in (Purwanti, 2020), dividend policy is a strategic choice taken by the company to determine the allocation of profits, namely whether the profit will be given to shareholders in the form of dividends or reinvested as a source of internal funds to meet investment needs in the future. Dividends themselves are a portion of the profit given to shareholders as a form of appreciation for the profits that have been generated.

This decision reflects the company's considerations in determining the proportion of net profit that will be distributed to investors. In addition to dividend policy, another factor that affects the value of a company is the funding decision. This decision is a strategic step taken by management to determine the most appropriate source of funds to support the company's operational and investment activities, which are generally related to the proportion of debt use in the capital structure. According to (Sari & Juniati Gunawan, 2023) Companies that increase the proportion of their debt will obtain more funds for their operational activities, and if the debt is managed properly, this can increase the company's profits. Thus, improved company performance will contribute to an increase in stock prices. Furthermore, this increase in stock prices has the potential to increase the overall value of the company.

The impact of high company value symbolizes the opportunity to invest in the future, therefore the company must maintain positive performance and trends in various sectors. Good company value reflects the reputation of the company's performance, which ultimately affects the perception and investment decisions of shareholders. Basically, the higher the PBV, the better the company's performance can be said to be and will determine the choice of investors in placing their investments in the company. Shareholder welfare can be indicated through an increase in the company's value. The following table shows the average PBV value in property and real estate companies in 2019 to 2023.

Table 1. Average PBV Value

No	Year	Property and Real Estate Company Value (PBV)
1	2019	2,42
2	2020	1,40
3	2021	0,65
4	2022	0,52
5	2023	0,56
Average Company Value		1,11

Source: Indonesia Stock Exchange, 2025 (Data Processed)

Based on the table, in the property and real estate sector, the PBV trend for the period 2019 to 2023 shows a downward trend. The data also shows that the company's value has decreased sequentially over the past three years. In this study, the assessment of the company is measured by the PBV ratio (comparison between market value and book value). If the company's performance continues to deteriorate and decline, investors tend to give a low evaluation of the company.

LITERATURE REVIEW

Signaling Theory

Signal Theory is a theory that explains how investors assess a company's prospects or performance based on signals conveyed by the company. These signals can be in the form of financial information, management decisions, or other actions that indicate the company's growth potential (Iqbal Nur Satriawan & Daniel Bagana, 2023). Signal theory explains how signalers act to influence the behavior of signal recipients. In other words, signals are used as signs presented by managers to outsiders.

Company Value

The value of a company is a representation of investors' views on how successful the company is, which is usually related to stock prices and profits. (Darmayanti, 2019). According to (Sari, 2020) stated that company value describes performance that influences investor perceptions, which are reflected in stock prices. To assess the value of a company, it can be done by comparing the stock price with the book value of the stock using the price to book value (PBV) indicator.

$$PBV = \frac{\text{Stock Price}}{\text{Book Value of Shares}} \times 100\%$$

Price Earning Ratio

Price Earning Ratio (PER) is a method used by financial analysts and investors to evaluate stocks (Wahyuni et al., 2020). According to (Jamiliana, 2023), Price Earning Ratio (PER) PER reflects the market's appreciation of a company's ability to generate profits. This ratio is calculated by comparing the stock price with earnings per share (EPS). EPS itself is obtained by dividing net profit by the number of shares outstanding.

$$PER = \frac{\text{Stock Price}}{\text{Earning Per Share}} \times 100\%$$

Dividend Policy

Dividend policy is about how and how much of the company's profits are given to shareholders as a dividend policy to ensure their welfare (Juliani Putri, 2023). According to (Wilda Nafisa et al., 2023) dividend policy includes decisions regarding the allocation of year-end profits to be given to shareholders in the form of dividends, or transferred to retained earnings to strengthen the capital structure and support financing of future investment activities. Dividend policy is measured by using the dividend payout ratio (DPR).

$$DPR = \frac{\text{Dividen Per Share (DPS)}}{\text{Earning Per Share (EPS)}} \times 100\%$$

Financing Decisions

Funding decisions are methods used by companies to finance operational activities and fund assets owned. These decisions include determining the funding structure which includes short-term debt, long-term debt, and equity. (Sarrah et al., 2020). According to (Ramansyah, 2023) funding decisions are related to the selection of types and combinations of financing sources that will be used by the company, which are also related to their financial structure. To measure this decision, one method is to use the debt to equity ratio (DER).

$$DER = \frac{\text{Total Debt}}{\text{Total Equity}} \times 100\%$$

The conceptual framework and hypotheses in this study are as follows:

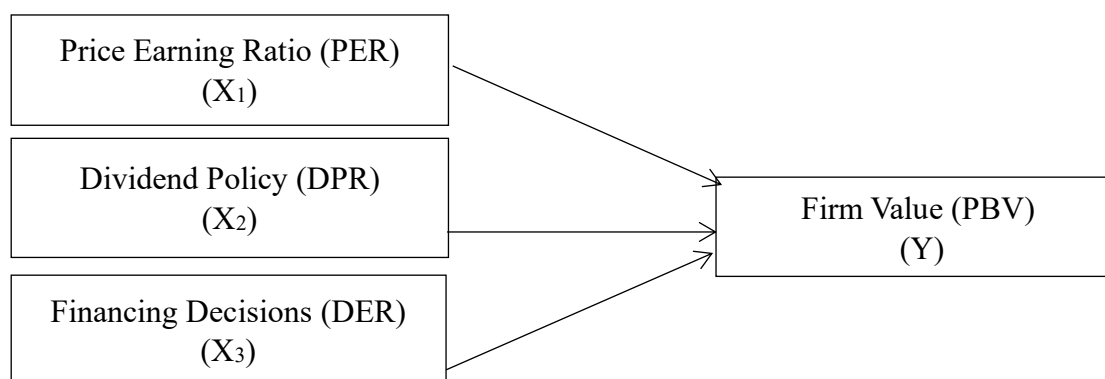


Figure 1. Conceptual Framework

Description of the conceptual framework with support from relevant theories, the hypothesis for this study is as follows:

H1 : Price earning ratio (PER) has a positive and significant effect on the value of companies in the property and real estate sector listed on the Indonesia Stock Exchange during 2019 - 2023.

- H2 : Dividend policy has a positive and significant effect on the value of companies in the property and real estate sector listed on the Indonesia Stock Exchange in 2019 - 2023.
- H3 : Funding decisions have a positive and significant effect on the value of companies in the property and real estate sector listed on the Indonesia Stock Exchange in 2019 - 2023.

METHOD

The method applied in this study is a quantitative approach using panel data regression. According to Sugiyono (2021), panel data analysis is a combination of time series data and cross-entity data (cross section) which is used to explore the relationship between variables in more depth. The data used in this study are secondary data obtained from the annual financial reports of companies engaged in the property and real estate sector listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023. The sample in this study consisted of 10 companies selected using the purposive sampling method. According to Sugiyono (2021), purposive sampling is a sample selection technique based on certain criteria that are appropriate for research. The first criterion includes companies that have been listed on the IDX during the 2019-2023 period. The second criterion is companies that provide complete financial reports in 2019-2023. Finally, companies that have distributed dividends in 2019 to 2023. To analyze the data to solve this research problem, panel data regression was applied with the help of the Eviews 12 application. The panel data regression approach used in this study includes three methods, namely the least common effect approach, the fixed effects approach, and the random effects approach. In addition, the data will also be tested based on classical assumptions to ensure the reliability of the analysis results.

RESULTS AND DISCUSSION

Model Selection Results

In the technique of selecting a regression model using panel data, there are 3 methods that can be used, namely common effect, fixed effect, and random effect. To determine the most appropriate model for this study, namely, testing will be carried out first with the chow test. The chow test aims to test which common effect and fixed effect models are better to choose. In the decision-making process in the chow test, the cross-section probability value F is considered.

Table 2. Chow Test

Effects Test	Statistic	d.f	Prob.
Cross-section F	33.538171	(9,37)	0.0000
Cross-section Chi-square	110.731027	9	0.0000

Based on the results in Table 2, the probability value of the cross-section F test of 0.0000 ($0.0000 < 0.05$) indicates that the most appropriate model to use is the fixed effect model (FEM). Furthermore, data analysis is continued by conducting a Hausman test.

Tabel 3. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f	Prob.
Cross-section random	9.026078	3	0.0289

Based on the results in Table 3 above, the probability value of the cross-section F test of 0.0289 ($0.0289 < 0.05$) indicates that the most appropriate model to be applied is the fixed effect model (FEM), as determined through the hausman test. Therefore, the lagrange multiplier test will not be carried out in this study.

Panel Data Regression Analysis (Fixed Effect Model)

Tebel 4. Panel Data Regression Analysis (Fixed Effect Model)

Variabel	Coefficient	t-Statistic	Prob.
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(Constant)	0.0690	0.1359	0.8926
Price Earning Ratio	0.1422	2.1403	0.0390
Kebijakan Dividen	0.0772	1.2892	0.2053
Keputusan Pendanaan	1.5123	2.0827	0.0443

Based on table 4 above, the value of the panel data regression equation can be obtained as follows:

$$PBV = 0.0690 + 0.1422X_1 + 0.0772X_2 + 1.5123X_3$$

Based on the equation above, the constant value of 0.0690 indicates that if the price earning ratio (PER), dividend policy (DPR), and financing decision (DER) variables are zero, then the company value (PBV) will remain at 0.0690.

Hypothesis Test Results

The Effect of Price Earning Ratio (PER) on Company Value

Based on the results of the hypothesis study, it shows that the price earning ratio (PER) value is (2.1403) and the significant value is 0.0390. The ttable value at the significant level used is 5% with df = 50-3-1 of 1.6786. So it can be concluded that $t_{count} > t_{table}$ ($2.1403 > 1.6786$) and the significant value used is 0.05 ($0.0390 < 0.05$). Thus, it can be concluded that the price earning ratio has a positive and significant influence on the value of companies in the property and real estate sector listed on the Indonesia Stock Exchange, so that the first hypothesis (H_1) is accepted.

This shows that the increase in the Price to Earnings Ratio (PER) reflects investors' expectations regarding the company's ability to make a profit and grow in the future, which ultimately affects the increase in stock prices and the company's value. Thus, investors who have a tendency to take risks (risk seekers) usually speculate and prefer companies with higher PER. These findings are consistent with the findings of (Iqbal Nur Satriawan & Daniel Bagana, 2023) which stated that the Price Earning Ratio (PER) has a positive and significant influence on company value. However, it is different from research (Hulasoh & Mulyati, 2022) which indicates that the price earning ratio does not affect company value.

The Effect of Dividend Policy (DPR) on Company Value

Based on the results of the hypothesis study, it shows that the value of the dividend policy (DPR) is (1.2892) and the significant value is 0.2053. The ttable value at the significant level used is 5% with df = 50-3-1 of 1.6786. So it can be concluded that $t_{count} < t_{table}$ ($1.2892 < 1.6786$) and the significant value used is 0.05 ($0.2053 > 0.05$). Therefore, it can be concluded that the dividend policy has an insignificant positive effect on the value of companies in the property and real estate sector listed on the Indonesia Stock Exchange, so (H_2) is rejected. Although there is an increase in company value along with the increase in dividends, the impact is not significant. This indicates that investors in this sector focus more on the company's total profit rather than the amount of dividends given, because too large a dividend distribution can reduce the profit funds that can be used for reinvestment. The results of this study are consistent with those implemented by (Hidayat & Triyonowati, 2020) which indicate that dividend policy has a positive but insignificant effect on company value. However, this finding is contrary to the results of research conducted by (Wilda Nafisa et al., 2023) which shows that dividend policy has a positive and significant effect on company value.

The Effect of Funding Decision (DER) on Company Value

Based on the results of the hypothesis research, it shows that the value of the funding decision (DER) is (2.0827) and the significant value is 0.0443. The ttable value at the significant level used is 5% with df = 50-3-1 of 1.6786. So it can be concluded that $t_{count} > t_{table}$ ($2.0827 > 1.6786$) and the significant value used is 0.05 ($0.0443 < 0.05$). Thus, it can be concluded that the funding decision has a positive and significant effect on the value of companies in the property and real estate sector listed on the Indonesia Stock Exchange or (H_3) is accepted.

Increasing debt is considered good by investors because it shows investor confidence in the future and the company's ability to manage risk well. With proper management, this increase in debt can increase available operating funds, which can increase profits and improve company performance. Ultimately, this increase in debt can lead to an increase in stock prices and an increase in company value. The results of this study are in line with those conducted by (Bahrin et al., 2020) which states that funding decisions have a positive and significant effect on company value. However, this finding contradicts research conducted by (Feisal Ahmad Riyadi et al., 2021) which shows that funding decisions have a negative and significant effect on company value.

CONCLUSION

The conclusion of this study shows that price earning ratio and funding decisions have a positive and significant influence on firm value. Meanwhile, dividend policy has a positive but insignificant influence on firm value.

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