

CHAPTER I

INTRODUCTION

1.1 Background of the Study

In this globalization era, the development of increasingly rapid economic conditions and increasingly fierce competition in the capital market is a challenge and opportunity for every entrepreneur to develop their businesses. Business competition in Indonesia has shown progress with increasing numbers of companies day by day. This encourages each company to carry out various strategies to avoid bankruptcy, namely by trying to improve the superiority of the company as an effort to achieve the company's long-term goals. This requires the company to be able to continue to maximize the results of its business in order to maintain a strong competitiveness in the capital market business. The growth and development of a company can not be separated from investors who invest their funds to get funds in the capital market. The purpose of investors investing their funds in a company is to maximize returns by not ignoring the risks they will face. Return is one of the factors that motivates investors to invest and is also a reward for the courage of investors to bear the risk of the investment they made.

Property and real estate companies are one of the industrial sectors listed in the Indonesia Stock Exchange (IDX). The development of the property and real estate industry is so rapid now and will be even greater in the future. The property and real estate industry in general are two different things. Real estate is land and all permanent improvements on it include buildings, such as buildings, road construction, open land, and all other forms of development that are permanently attached. On the other hand, property is defined as "the interest, benefits, and rights inherent in the ownership of real

estate". In other words, property is an interest and rights relating to the ownership of land, buildings, and repairs that are united to it. So, property is a term that involves a legal relationship between an object (real estate) and the subject (owner). The term real estate only concerns land and building objects. The property business now provides a fairly open opportunity to develop. Some of the factors that influence it include: housing procurement is always less than the needs of people's homes, mortgage rates are relatively low and tend to be unstable. The opening of these opportunities, of course, is an opportunity to invite foreign and domestic investors to be able to invest domestically, so that funds will flow to Indonesia through foreign investment, and can provide profits to help the growth of the real estate business in Indonesia. (Septiana, 2014)

The company's main goal is basically to optimize the value of the company. The value of the company can be reflected in the stock price, the higher the value of the company, the higher the value of the company that will be received by its shareholders. The optimal company value is very important for a manager and an investor. For a manager who is able to increase company value, then the manager has shown good performance on accomplishments. For investors increasing the value of the company is a good perception of the company, if an investor already has a good view of the company then the investor will be interested to invest so that this will make the company's stock price increase.

Table 1.1
Phenomenon of Earnings Per Share, Dividend, Interest Rate, Net Profit and
Stock Price on Property and Real Estate Companies listed on the Indonesia
Stock Exchange 2014-2017

| Emiten | Year | EPS | Dividend | Interest Rate | Total Asset | Stock Price |
|--------|------|--------|-----------------|---------------|--------------------|-------------|
| DUTI | 2014 | 316,29 | 41.077.699.500 | 7,75 | 8.130.786.587.766 | 4880 |
| | 2015 | 289,14 | 93.986.412.500 | 7,5 | 9.014.911.216.451 | 6400 |
| | 2016 | 380,36 | 121,016,612,625 | 4,75 | 9.692.217.785.825 | 6000 |
| | 2017 | 289,36 | 97,195,201,875 | 4,25 | 10.575.681.686.285 | 5400 |
| DILD | 2014 | 41,40 | 83.230.357.335 | 7,75 | 9.004.884.010.541 | 650 |
| | 2015 | 38,73 | 102.670.991.850 | 7,5 | 10.288.572.076.882 | 489 |
| | 2016 | 28,47 | 51,335,495,925 | 4,75 | 11.840.059.939.442 | 500 |
| | 2017 | 28,78 | 51,829,270,925 | 4,25 | 13.097.184.984.411 | 350 |
| GPRA | 2014 | 21,15 | 8.553.310.672 | 7,75 | 1.517.576.344.888 | 299 |
| | 2015 | 21,09 | 10.691.638.417 | 7,5 | 1.574.174.572.164 | 199 |
| | 2016 | 10,17 | 21,383,276,680 | 4,75 | 1.569.319.030.878 | 183 |
| | 2017 | 7,45 | 12,819,316,010 | 4,25 | 1.499.462.028.211 | 103 |

Source: Data Processing Results (2019)

Based on the above table, at PT. Duta Pertiwi Tbk financial statements showed that Earnings per share (EPS) in 2015 is 289.14 or decreased by 27.15, in 2016 is 380.36 or increased by 91.22, then in 2017 is 289.36 or decreased by 91. Dividend in 2015 is 93,986,412,500 or increased by 52,908,713,000, in 2016 is 121,016,612,625 or increased by 27,030,200,125, then in 2017 is 97,195,201,875 or decreased by 23,821,410,750. Interest rate in 2015 is 7.5 or decreased by 0.25, in 2016 is 4.75 or decreased by 2.75 and 2017 is 4.25 or decreased by 0.5. Total asset in 2015 is 9,014,911,216,451 or increased by 884,124,628,685, in 2016 is 9,692,217,785,825 or increased by 677,306,569,374, then in 2017 is 10,575,681,686,285 or increased by 883,463,900,460. Stock price in 2015 is 6400 or increased by 1520, in 2016 is 6000 or decreased by 400, then in 2017 is 5400 or decreased by 600.

At PT. Intiland Development Tbk, earning per share (EPS) in 2015 is 38.73 or decreased by 2.67. In 2016 is 28.47 or decreased by 10.26, then in 2017 is 28.78 or increased by 0.31. Dividend in 2015 is 102,670,991,850 or increased by 19,440,634,515, in 2016 is

51,335,495,925 or decreased by 51,335,495,925, then in 2017 is 51,829,270,925 or increased by 493,775,000. Interest rate in 2015 is 7.5 or decreased by 0.25, in 2016 is 4.75 or decreased by 2.75, then in 2017 is 4.25 or decreased by 0.5. Total asset in 2015 is 10,288,572,076,882 or increased by 1,283,688,066,341, in 2016 is 11,840,059,939,442 or increased by 1,551,487,862,560, then in 2017 is 13,097,184,984,411 or increased by 1,257,125,044,969. Stock price in 2015 is 489 or decreased by 161, in 2016 is 500 or increased by 11, then in 2017 is 350 or decreased by 150.

At PT. Perdana Gapura Prima Tbk, earning per share in 2015 is 21.09 or decreased by 0.06, in 2016 is 10.17 or decreased by 10.92, then in 2017 is 7.45 or decreased by 2.72. Dividend in 2015 is 10,691,638,417 or increased by 2,138,327,745, in 2016 is 21,383,276,680 or increased by 10,691,638,263, then in 2017 is 12,819,316,010 or decreased by 8,563,960,670. Interest rate in 2015 is 7.5 or decreased by 0.25, in 2016 is 4.75 or decreased by 2.75, then in 2017 is 4.25 or decreased by 0.5. Total Asset in 2015 is 1,574,174,572,164 or increased by 56,598,227,276, in 2016 is 1,569,319,030,878 or decreased by 4,855,541,286, then in 2017 is 1,449,462,028,211 or decreased by 69,857,002,667. Stock price in 2015 is 199 or decreased by 100, in 2016 is 183 or decreased by 16, then in 2017 is 103 or decreased by 80.

Companies that want to achieve long-term goals, will take several decisions, namely investment decisions. Investment decisions are important in achieving company goals because to maximize shareholder prosperity is only generated through the company's investment activities. The purpose of investment decisions is to obtain a high level of profit with a certain level of risk. High profits followed by how the company manages risks to increase the value of the company, which means increasing shareholder prosperity. Therefore, Price Earning Ratio (PER) is used to shows the relationship between

the common stock market and Earning Per Share (EPS) because Earning Per Share is the result obtained by shareholders for each outstanding share. The greater the Price Earning Ratio of a stock, the more expensive the share price will be towards the net income per share. This ratio is usually used by investors to predict the company's ability to generate profits in the future. (Andriani, 2013)

Earning Per Share (EPS) is one of the indicators from Price Earning ratio that can represent Investment decision because the higher the EPS will indicate that the company's performance is also getting better. Moreover, EPS is a comparison between the income generated (net income) and the number of shares outstanding. EPS illustrates the profitability of the company that is reflected in each sheet of shares. The higher the EPS value of course causes the greater the profit so that the stock market price rises because demand and supply increase.

Meanwhile, from the data in table 1.1, it can be seen that when PT Duta Pertiwi Tbk experienced declining in Earning Per Share from 2014 to 2015, Stock price actually increased for that year, conversely when Earning Per Share (EPS) went up from 2015 to 2016 instead the stock price went down. On the other hand, when the Earning Per Share of PT Intiland Development Tbk decreased from 2015 to 2016, Stock Price experienced increase and when Earning Per Share in 2016 to 2017 increased, Stock price in 2017 experienced decline.

Dividend policy is a problem that is often faced by companies. Dividend as a reason for investors to invest, dividends are returns that will be received for investment in the company. That way the company value can be reflected in the company's ability to pay dividends. Investors have the main goal of increasing welfare by expecting returns in the form of dividends. The amount of dividend can affect stock prices. If the dividends paid are high, the stock price tends to be high and vice versa. The ability to pay dividends is closely

related to the company's ability to make profit. If the company earns large profits, the ability to pay dividends is also large. (Noviani, 2017)

However, data in table 1.1 showed that the increase in Dividend of PT Intiland Development Tbk from 2014 – 2015 was not followed by an increase in Stock Price. The decline in dividend in 2015 to 2016 also was not followed by decrease in Stock Price. On the other hand, PT Perdana Gapura Prima experienced increase in Dividend from 2014 to 2016 but Stock price experienced decrease.

Interest rates and forecast values in the future are important inputs in investment decisions. Increase in the interest rate will reduce the present value of dividend income in the future, this condition will reduce stock prices in the capital market. Investors prefer to invest their money in other forms of investment, for example by saving their money in a bank rather than investing it in shares. Interest rates that are too high will affect the present value of the company's cash flow, so that investment opportunities will not be attractive anymore. High interest rates will also increase the cost of capital that will be borne by the company and will also cause the rate suggested by investors of an investment to increase (Suriyani & Sudiarta, 2017)

However, data in table 1.1 showed that the decreasing in Interest rate of PT. Duta Pertiwi Tbk from 2015 to 2016 and 2016 to 2017 were not followed by increase in Stock Price. The decreasing interest rate of PT Intiland Development Tbk from 2014 to 2015 and 2016 to 2017 were not followed by increase in stock price. Moreover, the decreasing in interest rate of PT. Perdana Gapura Prima Tbk from 2014 to 2017 was not followed by increase in stock price.

Profitability becomes a measuring tool used by investors to determine whether a company is healthy or not. Profitability is one of the attractions for investor to invest in company. If profitability is high, the firm value is good; on the contrary if profitability is low, the firm value is low. Profitability is closely related to sales and Total

asset. The greater the ROA, the greater level of profit achieved by the company. This shows that management can use the total assets of the company as well (current assets and fixed assets) and will ultimately improve the company's stock price that will attract many investors to invest in the property company. (Gunawan, Pituringsih, & Widyastuti, 2018)

Based on the data as shown in table 1.1, during 2015 to 2017 the increasing in total asset for PT. Duta Pertiwi Tbk was not followed by an increase in stock price. The same happens to PT Intiland Development Tbk, the increasing in total asset from 2014 to 2015 and 2016 to 2017 were not followed by increase in stock price and the increasing in total asset of PT. Perdana Gapura Prima Tbk from 2014 to 2015 was not followed by increase in stock price. This phenomena is less likely as the increase in total asset is expected to have a positive impact to stock price

Company value is an important concept for investors because the value of the company is an indicator of how the market evaluates the company as a whole, which is often associated with stock prices. Every established company has a goal to maximize shareholder's prosperity. The prosperity of shareholders can usually be seen from the high value of the company. This means maximizing shareholder's wealth can be done by maximizing the value of the company. The higher the value of the company will be the greater the prosperity that will be accepted by shareholders. (Pratiwi, 2018)

Based on the explanation above, the writer is interested in doing research with the title, **“Effect of Investment Decision, Dividend Policy, Interest Rate and Profitability to Company Value in Property and Real Estate Company In Indonesia Stock Exchange Period 2014-2017”**.

1.2 Problem Limitation

For a better discussion in order to achieve the objectives of the research, the writer will limit the scope of the existing problems as follows:

1. This research will be conducted only on companies engaged in property industry that listed on Indonesia Stock Exchange as property and real estate companies that have started to grow rapidly so that it is suitable for investors to invest in this industry.
2. Most of the data used in this research paper are obtained from secondary resources which is Indonesia Stock Exchange, and also by analyzing data within a certain period (2014 to 2017), thus there is a limitation in the availability of resources and age of data.
3. The researcher considered working on this study to find out if there is an effect on those chosen variables such as investment decision, dividend policy, interest rate, profitability and company value. Variables in this study are expected can greatly influence the value of the company. To do so, the researcher calculated using SPSS

1.3 Problem Formulation

To raise the issues discussed in this study, the writer formulates the problem as follows:

1. Does investment decision affect the company value on property and real estate companies listed on the Indonesia Stock Exchange in the period 2014-2017?
2. Does dividend policy affect the company value on property and real estate companies listed in Indonesia Stock Exchange in the period 2014-2017?
3. Does interest rate affect the company value on property and real estate companies listed on the Indonesia Stock Exchange in the period 2014-2017?

4. Does profitability affect the company value on property and real estate companies listed on the Indonesia Stock Exchange in the period 2014-2017?
5. Do Investment Decision, Dividend Policy, Interest Rate and Profitability affect the company value on property and real estate companies listed on the Indonesia Stock Exchange in the period 2014-2017?

1.4 Objective of the Research

In accordance with the formulation of the problem, the objectives of this research are as follows:

1. To find out whether investment decision affect company value in property and real estate companies listed on the Indonesia Stock Exchange in the period 2014-2017.
2. To find out whether dividend policy affect company value in property and real estate companies listed on the Indonesia Stock Exchange in the period 2014-2017.
3. To find out whether interest rate affect company value in property and real estate companies listed on the Indonesia Stock Exchange in the period 2014-2017.
4. To find out whether profitability affect company value in property and real estate companies listed on the Indonesia Stock Exchange in the period 2014-2017.

1.5 Benefit of the Research

This research is expected to provide benefits for various parties related to the research topic, including:

1.5.1 Theoretical Benefit

1. For Researcher

The writer believe that the result of this conducted study could be able to prove the effect of investment decision, dividend policy, interest rate and profitability toward company value, as it has been researched by several researchers previously.

2. For Student and future researcher

The results of this study are expected to provide knowledge for the readers and better understanding as well as a reference in conducting future research.

1.5.2 Practical Benefit

1. For Company

This research is expected as a reference to provide information for companies about the importance of company value and indicators that influence it. It can improve the performance of the company which are useful as knowledge for decision making.

2. For Investor

This research is expected to be useful as input to help investor for making appropriate decision when it comes on investing in the stock market.

1.6 Systems of Writing

To facilitate this research, then the writer compiled systems of writing consisting of the following details:

CHAPTER I : INTRODUCTION

This chapter explains about the background of the study which explains the reason of the research about the effect of investment decision, dividend policy, interest rate and profitability towards company value. Problem limitations will be limited on those chosen variables and one sector which is real estate and property companies listed in Indonesia Stock

Exchange period 2014 to 2017. Then, problem will be formulated, along with the explanation of objective and benefit of the research. Lastly, an overview of the main chapters in this study will be represented in systems of writing.

CHAPTER II : LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

This chapter explains about theoretical background and definitions for all dependent and independent variables of this research, as well as the impact theory among them. Several previous research conducted within the last 10 years will be briefly elaborated in order to support this research. The hypothesis development which states the testable relationship among variables. Research model which is a chart intended to prove the truth of the hypothesis. Lastly, framework of thinking which is the mindset of researcher linked to the research process.

CHAPTER III : RESEARCH METHOD

This chapter will explicate the research design of this study, which is quantitative. Then the definition of population and sample which explains the entire research subject (population) and part of the entire subject (sample) will be briefly explained as well as the data collection method and its criteria. Lastly, the definition of variable, method of measurement and data analyzation of this research will be provided.

CHAPTER IV : DATA ANALYSIS AND DISCUSSION

This chapter will elaborate the general view of research object which is a brief explanation of the research object, or in another words, a general view of

the research object, then the data analysis which displays the results of data analysis conducted in this research. Followed by the result of data analysis as well as the discussion of the research.

CHAPTER V : CONCLUSION

The last chapter consists of the conclusion of the research and the description of the implications. Lastly, recommendation of the research will be given and it is expected to be useful to the readers.

