LEVERAGE ANALYSIS, INVESTMENT OPPORTUNITY SET, AND OWNERSHIP OF COMPANY VALUE

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ABSTRACT

Purpose: This study examines the effect of leverage, investment opportunity sets, and managerial ownership on firm value with dividend policy as an intervening variable in manufacturing companies listed on the Indonesia Stock Exchange.

Theoretical framework: The general framework of this research includes two theories on it firstly, Signaling Theory which is an action taken by management to guide investors about how management views the company's prospects in the future (Taleb, 2019), and secondly, Dividend Policy Theory is part of the company's spending decisions, primarily related with the company's internal spending, this is because the size of the dividends distributed will affect the size of retained earnings. Retained earnings are one of the company's internal funding sources (Lumapow & Tumiwa, 2017).

Methodology: We use a quantitative approach with a survey approach. The population in this study are all manufacturing companies listed on the Indonesia Stock Exchange (IDX) during 2018-2020. In this study, the sample was taken using a purposive sampling method. The purposive sampling method limits the selection of sampling based on specific criteria.

Findings: This study found a positive and significant relationship between leverage and investment opportunity sets on company value in manufacturing companies listed on the Indonesia Stock Exchange in 2018-2020. Meanwhile, managerial ownership and dividend policy have a positive and insignificant effect on the company's corporate value in manufacturing companies listed on the Indonesia Stock Exchange in 2018-2020. Leverage does not have a significant adverse impact on firm value through dividend policy.

Research, Practical & Social implications: This study analyzes and evaluates the Effect of Leverage on Firm Value. That is, companies that have a high level of leverage can increase firm value because investors assume that the value of companies that have high debt are large-scale companies and the influence of dividend policy on substantial value, namely the use of debt, can increase the firm value if the profits are more significant than costs. Used at the time of use of debt.

Originality/value: The findings show a positive and significant relationship between leverage and investment opportunity sets on company value in manufacturing companies listed on the Indonesia Stock Exchange in 2018-2020. Influence does not have a significant adverse effect on
firm value through dividend policy. Dividend policy cannot mediate the impact of power on solid value.

**Keywords:** leverage, investment opportunity set, managerial ownership, firm value, Indonesia.

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**ANÁLISE DE ALAVANCAGEM, CONJUNTO DE OPORTUNIDADES DE INVESTIMENTO E PROPRIEDADE DO VALOR DA EMPRESA**

**RESUMO**

**Objetivo:** Este estudo examina o efeito da alavancagem, do conjunto de oportunidades de investimento e da propriedade gerencial sobre o valor da empresa com a política de dividendos como variável interveniente em empresas manufatureiras listadas na Bolsa de Valores da Indonésia.

**Estrutura teórica:** A estrutura geral desta pesquisa inclui duas teorias: em primeiro lugar, a Teoria da Sinalização, que é uma ação tomada pela gerência para orientar os investidores sobre como a gerência vê as perspectivas da empresa no futuro (Taleb, 2019) e, em segundo lugar, a Teoria da Política de Dividendos faz parte das decisões de gastos da empresa, principalmente relacionadas aos gastos internos da empresa, porque o tamanho dos dividendos distribuídos afetará o tamanho dos lucros acumulados. Os lucros acumulados são uma das fontes internas de financiamento da empresa (Lumapow & Tumiwa, 2017).

**Metodologia:** Usamos uma abordagem quantitativa com uma abordagem de pesquisa. A população deste estudo são todas as empresas de manufatura listadas na Bolsa de Valores da Indonésia (IDX) durante 2018-2020. Neste estudo, a amostra foi obtida por meio de um método de amostragem intencional. O método de amostragem intencional limita a seleção da amostragem com base em critérios específicos.

**Resultados:** Este estudo encontrou uma relação positiva e significativa entre alavancagem e conjuntos de oportunidades de investimento sobre o valor da empresa em empresas de manufatura listadas na Bolsa de Valores da Indonésia em 2018-2020. Enquanto isso, a propriedade gerencial e a política de dividendos têm um efeito positivo e insignificante sobre o valor corporativo da empresa em empresas de manufatura listadas na Bolsa de Valores da Indonésia em 2018-2020. A alavancagem não tem um impacto adverso significativo sobre o valor da empresa por meio da política de dividendos.

**Implicações sociais, práticas e de pesquisa:** Este estudo analisa e avalia o efeito da alavancagem no valor da empresa. Ou seja, as empresas que têm um alto nível de alavancagem podem aumentar o valor da empresa porque os investidores presumem que o valor das empresas que têm dívidas altas são empresas de grande porte e a influência da política de dividendos sobre o valor substancial, ou seja, o uso de dívidas, pode aumentar o valor da empresa se os lucros forem mais significativos do que os custos. Usado no momento do uso da dívida.

**Originalidade/valor:** Os resultados mostram uma relação positiva e significativa entre alavancagem e conjuntos de oportunidades de investimento sobre o valor da empresa em empresas de manufatura listadas na Bolsa de Valores da Indonésia em 2018-2020. A influência não tem um efeito adverso significativo sobre o valor da empresa por meio da política de dividendos. A política de dividendos não pode mediar o impacto do poder sobre o valor sólido.

**Palavras-chave:** alavancagem, conjunto de oportunidades de investimento, propriedade gerencial, valor da empresa, Indonésia.
1 INTRODUCTION

The capital market links investors, companies, or government institutions by trading long-term instruments. In today's economic development, the capital market significantly contributes to a country's economy (Alsmady, 2023). This is because the capital market performs two functions: an economic and a financial position. In carrying out its economic role, the capital market provides facilities for transferring funds from parties who have excess funds (lenders) to those who need funds (borrowers) (Kanga et al., 2021).

The capital market provides borrowers the funds to carry out their financial functions. Companies can obtain long-term funds through the capital market, either in their capital (equity) or loan capital (bonds). Money is essential for a company to run its business to achieve company goals (Luis & Bueno, 2023). Firm value is an investor's perception of the company's level of success, which is often associated with stock prices (Al-Msary et al., 2023). High stock prices make the company value also increase. The higher the stock price, the higher the company value (Petry et al., 2021).

Leverage affects the company's value (Nadia, 2019). Leverage is a company's ability to use assets and funds with a fixed burden (Debt and special shares) to realize the company's goal of maximizing the wealth of company owners (Aboukhadeer et al., 2023). Leverage is used to describe a company's ability to use assets or funds that have fixed costs (fixed cost assets or funds) to increase the income (return) level for company owners. The greater the level of leverage, the higher the uncertainty of the payment to be obtained will be higher, but at the same time, it will also increase the amount of income to be received (Pratama & Wiksuana, 2016a).

The company's investment opportunity is an essential component of the company's value. This is because the Investment Opportunity Set or set of a company's investment opportunities affects the perspective of the company's managers, owners, investors, and creditors (Serna, 2022). Companies with growing business prospects will convince investors that the company can increase shareholders, so the share demand also increases (Haryetti & Ekayanti, 2012). The company's value will also increase by expanding the market share demand. To increase the company's value, there may be obstacles, especially regarding agency problems. Managers have the authority to manage the company in improving the value of the company and the welfare of shareholders.
Conflict of interest based on agency theory. In this case, the manager acts not by company goals but is more concerned with his claims (Pratiwi & Mertha, 2017).

The company's value is good if the dividend policy is implemented correctly because dividends are part of the profits for shareholders (Andaswari et al., 2018). Companies need to implement an optimal dividend policy so that the company's value does not decrease. The optimal company dividend policy balances current dividends and future growth that maximizes share price (Ortiz, 2022). Investors consider companies that distribute dividends to shareholders more profitable than those that do not pay dividends. The distribution of dividends made by the company makes investors interested in buying company shares; more and more investors are interested in company shares, which has a positive impact, namely increasing demand for company shares so that share prices rise accompanied by an increase in company value (Andriza & Yusra, 2019).

This research is a development of a study conducted by (Hidayah, 2015) entitled Effect of Investment Opportunity Set and Managerial Ownership on Company Value. Meanwhile, this study adds leverage and dividend policy as intervening variables. Proving that Investment Opportunity Set significantly affects firm value, while managerial ownership does not significantly affect substantial value (Hidayah, 2015). This study uses leverage, investment opportunity set, managerial ownership, and dividend policy to see companies' dividend payments to attract investors to buy company shares to increase demand for company shares and company value (Karang et al., 2020).

This study chose manufacturing companies as research objects because manufacturing companies listed on the Indonesia Stock Exchange consist of various sub-sectors so that they can reflect the company's overall value. Manufacturing companies also have the most significant number of companies on the Indonesia Stock Exchange, supporting the data analysis method in this study, which uses Partial Least Square (PLS). In addition, the selection of manufacturing companies as research objects is due to the facts that have been described. Based on the explanation above, the researcher is interested in studying and analyzing How Leverage, Investment Opportunity Sets, and Ownership of Company Value.
2 LITERATURE REVIEW

2.1 SIGNALLING THEORY

Signalling theory is the action management takes to guide investors about how management views the company's prospects in the future (Taleb, 2019). The information presented by the company in the form of financial reports becomes a signal or announcement to investors related to the company's financial condition, which will later be used for investors' investment decisions. Notifications about financial data and company conditions that investors hear will be processed and interpreted as good news or bad news (Pee et al., 2018).

If the signal is good, there will be an increase in the trading volume of the company's shares, but if the sign is terrible, then there will be a decrease in the trading volume of the company's shares (Hammond & Dammak, 2023). In this theory, the company's management is an internal party signal in the form of financial reports to investors or external parties. Information released by the administration is important because it can influence the investment decisions of investors who will invest their shares in the company. The signalling theory relates to ROA or profitability (Pecot et al., 2018).

ROA is information about company profits which is calculated based on the rate of return on company assets; if ROA shows a high number, it will be a good signal for investors or good news because ROA numbers indicating high numbers interpret that the company's financial performance is good (Carpentier et al., 2019). Then investors will be interested in investing their funds or planting shares in the company. High profitability will be a good signal or news for investors to invest their stakes in the company to increase the investment value (Desjardins et al., 2021).

Signalling theory relates to the Current Ratio or liquidity ratio, in which the higher the company's ability to pay its short-term obligations will provide a good signal or good news to investors (Lehdonvirta et al., 2019). This shows that the company can solve its debt problems; the higher the value of the liquidity ratio will increase the company's opportunities to pay and solve debt-related issues. Signalling theory relates to the leverage ratio proxied by the debt ratio (Kotha et al., 2018). The debt ratio determines how much a company can pay off its short and long-term debts or measure the number of funds originating from Debt (Brach et al., 2018).

Higher use of debt indicates the possibility that the company will have difficulty repaying or repaying debt. The lower the level of debt ratio will be a good signal from

2.2 DIVIDEND POLICY

Dividend policy is part of the company's spending decisions, especially about the company's internal spending; this is because the dividends distributed will affect the size of retained earnings. Retained earnings are one of the company's internal funding sources (Lumapow & Tumiwa, 2017). Dividends are the distribution of profits to shareholders. The shareholders determine the number of dividends the company distributes at the GMS (General Meeting of Shareholders) (Jaara et al., 2018). Dividend policy is whether the profits earned by the company at the end of the year will be distributed to shareholders in the form of dividends or will be withheld to increase capital to finance investment in the future (Triani & Tarmidi, 2019). Policy on dividend payments is a critical decision in a company; this policy involves two parties with different interests: the first party, the shareholders, and the second party, the company itself (Fajaria, 2018).

Dividends are defined as payments to shareholders by the company for the profits it earns; dividend policy is a policy related to dividend payments by the company in the form of determining the number of dividend payments and the amount of retained earnings for the company's benefit. One of the goals of investors is dividends (Efni, 2017). Many investors make this dividend the main goal in investing because it can provide stable profits in the present and the future. The purpose of investors buying shares can vary; for example, for capital gains and to get dividends, these dividends are sometimes also used to assess company performance (Zainudin et al., 2018).

Dividends are used as a signal that the company can allocate funds, which are used to distribute dividends to shareholders. They are entitled to receive them within the limits of wise management (Sualehkhattak & Hussain, 2017). So the shareholders have to ask their leadership to distribute profits (in the form of dividends) generally at the ratio. For
example, showing clear evidence that reinvested earnings will result in a satisfactory increase in earnings per share. However, in many other cases, a low dividend payout ratio is why the average market price is below fair value. Shareholders can ask questions and complain (Sukmawardini & Ardiansari, 2018).

3 DATA AND METHODOLOGY

This type of research is quantitative research with a survey approach. The population in this study are all manufacturing companies listed on the Indonesia Stock Exchange (IDX) during 2018-2020. In this study, the sample was taken using the purposive sampling method. The purposive sampling method limits the selection of sampling based on specific criteria. The criteria for companies that will be used as samples in this study are:

<table>
<thead>
<tr>
<th>No</th>
<th>Criteria</th>
<th>Number of Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Companies listed on the Indonesia Stock Exchange</td>
<td>144</td>
</tr>
<tr>
<td>2</td>
<td>Companies that do not have managerial ownership</td>
<td>(36)</td>
</tr>
<tr>
<td>3</td>
<td>Companies that do not pay dividends</td>
<td>(42)</td>
</tr>
<tr>
<td>4</td>
<td>Financial report data is not available for the consecutive reporting years from 2018-2020</td>
<td>(30)</td>
</tr>
<tr>
<td></td>
<td>Number of samples</td>
<td>36</td>
</tr>
</tbody>
</table>

Source: Prepared by the authors (2023).

Table 1. Research Sample

The secondary data used in this study is an annual report which includes the financial statements of companies listed on the IDX. The data collection technique used in this study is documentation, meaning that the data collected is through financial reports and performance summaries published through the company's official website and www.idx.co.id, which are related to the object under study. The statistical method used to test the hypothesis is to use multiple correlations with the help of the Smart PLS software after collecting all the data in this study (Purwanto et al., 2021). The data analysis was carried out, which consisted of descriptive statistical analysis, classical assumption test, which consisted of (a normality test, heteroscedasticity test, multicollinearity test), and structural model test or inner model, which consisted of a coefficient of determination test (R Square), testing all hypotheses through the direct test (direct effect) and indirect test (indirect effect) (Hamdollah & Baghaei, 2016).
Table 2. Operational Variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>Indicator</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leverage (X1)</td>
<td>Total debt to total assets = [\frac{\text{Current debt} + \text{Long term debt}}{\text{Total assets}}]</td>
<td>(Rusli &amp; Sudiartha, 2017)</td>
</tr>
<tr>
<td>Investment Opportunity Set (X2)</td>
<td>MVE/BVE = [\frac{\text{Number of outstanding shares} \times \text{closing price}}{\text{Total equity}}]</td>
<td>(Adriani &amp; Syafruddin, 2011; Syardiana et al., 2015)</td>
</tr>
<tr>
<td>Managerial Ownership (X3)</td>
<td>Total percentage of share ownership owned by the management of the total outstanding share capital</td>
<td>(Wati &amp; Darmayanti, 2013)</td>
</tr>
<tr>
<td>Dividend Payout Ratio (Z)</td>
<td>Payout Ratio = [\frac{\text{Dividend per share}}{\text{Earning per share}}]</td>
<td>(Budianto &amp; Payamta, 2014; Sriwahyuni &amp; Wihandaru, 2016)</td>
</tr>
<tr>
<td>The value of the company (Y)</td>
<td>Tobin’s Q = [\frac{\text{MVE} + \text{DEBT}}{\text{TA}}]</td>
<td>(Analisa &amp; Wahyudi, 2011; Wati &amp; Darmayanti, 2013)</td>
</tr>
</tbody>
</table>

Source: Prepared by the authors (2023).

4 RESULTS AND DISCUSSION

Descriptive statistical analysis provides an overview or description of data from the mean value, standard deviation, maximum, and minimum (Malmia et al., 2019). This descriptive statistical analysis compares the mean, maximum, and minimum values in theory or actual. The following is a table of descriptive statistical test results in Table 3.

Based on Table 3, it can be seen that the amount of data used in this study was 108 samples. From the results of the descriptive statistical tests, it was found that Firm Value (Y) has a value range of 0.08 to 8.73. From the data above, it can be seen that the company's value has increased with an average value of 2.2371 with a standard deviation of 1.95915 below the average. Dividend Policy (Z) has a value range of 0.01 to 1.35. From the data above, it can be seen that the company's value has increased with an average value of 0.3854 with a standard deviation of 0.24979 below the average. Leverage (X1) has a value range of 0.00 to 4.35. From the data above, it can be seen that the company's
value has increased with an average value of 0.3941 with a standard deviation of 0.53267 above the average value of the company.

Investment Opportunity Set (X2) has a value range of 0.13 to 9.34. From the data above, it can be seen that the company's value has increased with an average value of 2.9738, with a standard deviation pointing to a value of 2.44709 below the average. Managerial Ownership (X3) has a value range of 0.00 to 9.63. From the data above, it can be seen that the company's value has increased with an average value of 1.2575, with a standard deviation pointing to a value of 2.14566 above the average.

Furthermore, the normality test aims to test whether the dependent and independent variables have a normal distribution in the regression model. The standardized standard probability plot of the regression graph in Figure 1 shows a typical graph pattern. This can be seen from the dots that spread around and follow the diagonal line.

Figure 1. Normality Test Results

![Normality Test Results](image)

Source: Prepared by the authors (2023)

Figure 1. In heteroscedasticity test aims to determine whether the regression model used has an inequality of variance from the residuals of another observation. Based on Figure 2, the scatterplot graph shows that the data is scattered, and there is no clear pattern in the data distribution. This means there is no heteroscedasticity in the regression equation model. Hence, the regression model is feasible to use to predict the accuracy of firm value based on the influencing variables, namely leverage, investment opportunity set, managerial ownership, and dividend policy as intervening variables.
The multicollinearity test aims to test whether the regression model finds a correlation between the independent variables; if perfect multicollinearity occurs, the OLS (Ordinary Least Square) estimator will be indeterminate, and the variance or standard error will also be indeterminate.

<table>
<thead>
<tr>
<th>Model</th>
<th>Collinearity Statistics</th>
<th>Tolerance</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (Constant)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>X1</td>
<td>.976</td>
<td>1.025</td>
<td></td>
</tr>
<tr>
<td>X2</td>
<td>.992</td>
<td>1.008</td>
<td></td>
</tr>
<tr>
<td>X3</td>
<td>.987</td>
<td>1.013</td>
<td></td>
</tr>
<tr>
<td>Z</td>
<td>.982</td>
<td>1.019</td>
<td></td>
</tr>
</tbody>
</table>

Source: Prepared by the authors (2023).

Based on Table 4, it can be seen that the tolerance value is close to 1, and the Variance Inflation Factor (VIF) value is below 10 for each variable, which is indicated by the tolerance value for leverage, investment opportunity set, managerial ownership and dividend policy each of 0.976; 0.992; 0.987; 0.982. And each has a VIF value of 1.025; 1.008; 1.013; 1.019. Thus, it can be concluded that there is no multicollinearity problem and can be used in this study. The coefficient of determination is used to determine how much the relationship between several variables is in a more precise sense. The coefficient of determination will explain how much change or variation in a variable can be explained by changes or variations in other variables.

Figure 2. Structural Model Testing with R-Square Values

Source: PLS Outputs
Figure 2. It can be seen that the R Square values for the variable firm value (Y) and dividend policy (X) are 0.383 and 0.018, respectively, which means that they are included in the weak category. The R-square value of the firm value is 0.383 or 38.3% indicating that the variable leverage can explain the solid variable value, investment opportunity set, and managerial ownership of 38.3%. The remaining 61.7% can be explained by other variables not present in this research. The dividend policy R-square value of 0.018 or 1.8% indicates that leverage, investment opportunity set, and managerial ownership variables of 1.8% can explain the organizational dividend policy variable. The remaining 98.2% can be explained by other variables not found in this research.

<table>
<thead>
<tr>
<th>Variable</th>
<th>R Square (%)</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm Value</td>
<td>0.383</td>
<td>38.3%</td>
</tr>
<tr>
<td>Dividend Policy</td>
<td>0.018</td>
<td>1.8%</td>
</tr>
</tbody>
</table>

Table 5. Coefficient of Determination (R)

<table>
<thead>
<tr>
<th>Original Sample (O)</th>
<th>%</th>
<th>Standard Deviation (STDEV)</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1 -&gt; Y</td>
<td>0.257</td>
<td>25.7</td>
</tr>
<tr>
<td>X2 -&gt; Y</td>
<td>0.539</td>
<td>53.9</td>
</tr>
<tr>
<td>X3 -&gt; Y</td>
<td>0.019</td>
<td>1.9</td>
</tr>
<tr>
<td>Z -&gt; Y</td>
<td>0.103</td>
<td>10.3</td>
</tr>
</tbody>
</table>

Source: Prepared by the authors (2023).

Testing the proposed hypothesis by testing the structural model (inner model) by looking at the path coefficients, which show the parameter coefficients and statistical significance values. The significance of the estimated parameters can provide information about the relationship between research variables. The limit for rejecting and accepting the hypothesis proposed above is 1.699 for \( p < 0.05 \). Table 6 presents the estimated output for testing the structural model.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Sample Means (M)</th>
<th>Standard Deviation (STDEV)</th>
<th>T Statistics</th>
<th>P Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1 -&gt; Y</td>
<td>0.247</td>
<td>0.125</td>
<td>2.055</td>
<td>0.040</td>
</tr>
<tr>
<td>X2 -&gt; Y</td>
<td>0.539</td>
<td>0.103</td>
<td>5.213</td>
<td>0.000</td>
</tr>
<tr>
<td>X3 -&gt; Y</td>
<td>0.015</td>
<td>0.065</td>
<td>0.287</td>
<td>0.774</td>
</tr>
<tr>
<td>Z -&gt; Y</td>
<td>0.101</td>
<td>0.097</td>
<td>1.068</td>
<td>0.286</td>
</tr>
</tbody>
</table>

Source: PLS Outputs

4.1 FIRST HYPOTHESIS TESTING (H1)

The first hypothesis states that there is an influence between leverage and firm value. Table 6. shows that the leverage variable has a significant level of 0.040, less than 0.05, with a t statistics value of 2.055 greater than 1.699. The parameter coefficient value is +0.257 indicating a positive influence on the endogenous variables. This means
that H1 is accepted so that it can be said that leverage positively and significantly affects firm value.

4.2 SECOND HYPOTHESIS TESTING (H2)

The second hypothesis states that the investment opportunity set affects firm value. Table 7 shows that the investment opportunity set variable has a significant level of 0.000, less than 0.05, with a t statistics value of 5.213 greater than <1.699. The parameter coefficient value is +0.539 indicating a positive influence on the endogenous variables. This means that H2 is accepted so that it can be said that the investment opportunity set has a positive and significant effect on firm value.

4.3 THIRD HYPOTHESIS TESTING (H3)

The third hypothesis states that managerial ownership influences firm value. Table 7 shows that the managerial ownership variable has a significant level of 0.774, greater than 0.05, with a t statistics value of 0.287, less than <1.699. The parameter coefficient value is +0.019 indicating a positive influence on the endogenous variables. This means that H3 is rejected, so it can be said that managerial ownership has a positive and insignificant effect on firm value.

4.4 SECOND HYPOTHESIS TESTING (H4)

The fourth hypothesis states that dividend policy affects firm value. Table 7 shows that the dividend policy variable has a significant level of 0.286, greater than 0.05, with a t statistics value of 1.068, less than <1.699. The parameter coefficient value is +0.103 indicating a positive influence on the endogenous variables. This means that H4 is accepted, so it can be said that the dividend policy has a positive and insignificant effect on firm value.

| X1 → Z → Y | Original Sample (O) | Sample Means (M) | Standard Deviation (STDEV) | T Statistics (|O/STDEV|) | P Values |
|-------------|---------------------|------------------|---------------------------|------------------------|----------|
| X2 → Z → Y | 0.008               | 0.008            | 0.015                     | 0.514                  | 0.607    |
| X3 → Z → Y | 0.003               | 0.004            | 0.010                     | 0.347                  | 0.728    |

Sumber: Output PLS
4.5 FIFTH HYPOTHESIS TESTING (H5)

The eighth hypothesis states that leverage affects firm value through dividend policy. Table 7 shows that the leverage variable has a significant level of 0.510, greater than 0.05, with a t statistics value of 0.660, less than <1.699. The parameter coefficient value is -0.011 indicating a negative effect on endogenous variables. From the results of the Indirect Effect hypothesis test, it was found that the direct and indirect impact was negative and insignificant, so H5 was rejected. This indicates that the dividend policy variable cannot mediate between leverage and firm value.

4.6 TESTING THE SIXTH HYPOTHESIS (H6)

The sixth hypothesis states that the investment opportunity set influences firm value through dividend policy. Table 8 shows that the investment opportunity set variable has a significant level of 0.607, greater than 0.05, with a t statistics value of 0.514, less than <1.699. The parameter coefficient value of +0.003 positively influences the endogenous variables. From the results of the Indirect Effect hypothesis test, it was found that the direct and indirect effect was positive and insignificant, so H6 was rejected. This indicates that the managerial ownership variable cannot mediate between the investment opportunity set and firm value.

4.7 TESTING THE SEVENTH HYPOTHESIS (H7)

The seventh hypothesis states that managerial ownership influences firm value through dividend policy. Table 8 shows that the managerial ownership variable has a significant level of 0.728, greater than 0.05, with a t statistics value of 0.347, less than <1.699. The parameter coefficient value of +0.008 positively influences the endogenous variables. From the results of the Indirect Effect hypothesis test, it was found that the direct or indirect effect was positive and insignificant, so H7 was rejected. This indicates that the dividend policy variable cannot mediate between the investment opportunity set and firm value.

4.7.1 Effect of leverage on firm value

The hypothesis test results showed that the leverage variable positively and significantly affects firm value. This means that the higher the leverage, the higher the risk, and the higher the risk, the greater the rate of return to be obtained. In signal theory,
it is explained that highly profitable companies will try to avoid selling shares and prefer to get new capital in other ways, including using Debt (Wiek, 2023). Companies with a high level of leverage can increase a company's value because investors assume the company value that companies with high debt are large-scale companies. So that investors will invest and get a significant return rate, which will impact increasing the company's value, which will later become a more reliable signal for the company. This research is supported by research that has been done, which states that leverage has a positive and significant effect on firm value (Pratama & Wiksuna, 2016b). The higher the company uses funding from debt, the higher the value of the company owned the company. This research contrasts the study, which states that leverage has a positive and insignificant effect on firm value (Alcalde & Peris, 2022).

4.7.2 Effect of investment opportunity set on firm value

The hypothesis test results showed that the investment opportunity set variable positively and significantly affects firm value. This means that the higher the investment opportunity set of a company, the higher the value of the company. This can be because when a company can manage capital well, the company's performance will also increase, increasing the company's stock price (Apasrawirote et al., 2022). This can make investors believe that companies with high investments will increase the demand for company shares and the company's stock price, which also affects the increase in company value. This investment opportunity provides a positive signal about the company's growth in the future so that it can increase stock prices. As signal theory explains, investment decisions contain information about the company's prospects in the future (Syardiana et al., 2015).

4.7.3 Effect of managerial ownership on firm value

The hypothesis test results showed that the managerial ownership variable has a positive and insignificant effect on firm value. This means the higher the managerial ownership, the more firm value will increase, but managerial ownership does not significantly affect substantial value (Triani & Tarmidi, 2019). Managers work not only for the benefit of external shareholders but for their own sake because they are also part of the shareholders. One of the main assumptions of agency theory is that different principal and agent goals can lead to conflict because corporate managers tend to pursue
personal goals. Maximizing shareholder wealth through investment in long-term profitable projects (Anita & Yulianto, 2016).

4.7.4 Effect of dividend policy on firm value

The hypothesis test results showed that the dividend policy variable has a positive and insignificant effect on firm value. This means that if the dividend policy increases, the substantial value increases, but the dividend policy does not significantly affect the considerable value. The positive relationship between dividend policy and the firm value indicates that if the company pays more dividends, it can increase the firm's value because, with the large number of dividends distributed to shareholders, potential investors will be interested in investing in the company so that it can increase the firm's value (Astuti & Yadnya, 2019). In signal theory, it is explained that an increase in cash dividends is considered a signal that the company has good prospects in the future. An increase in cash dividends often causes an increase in stock prices, which means that the company's value increases, while cutting tips generally cause a decrease in stock prices, which means a reduction in the company's value (Ampofo et al., 2023).

4.7.5 Effect of leverage on firm value through dividend policy

From the results of the Indirect Effect hypothesis test, leverage's direct or indirect effect on firm value through dividend policy is harmful and insignificant, indicating that dividend policy in this study does not mediate the relationship between power and substantial weight. In signal theory, a highly profitable company will avoid selling shares and prefer to raise new capital by other means, including using debt. Companies with high debt have significant fixed assets used as collateral, so these companies (Alcalde & Peris, 2022) visitors (Alcalde & Peris, 2022). Debt can increase the company's value if the profits obtained are more significant than the costs of using debt. The impact of the increase in debt will be felt by shareholders, namely the distribution of small dividends or the company does not provide rewards to shareholders. If the company makes a profit, the company will first pay debts rather than distribute dividends to shareholders (Pratiwi & Mertha, 2017).
5 CONCLUSION

The study results in show that the analysis of leverage, investment opportunity set, and ownership of company value shows a positive and significant relationship between power and investment opportunity set on company value in manufacturing companies listed on the Indonesia Stock Exchange in 2018-2020. Meanwhile, managerial ownership and dividend policy have a positive and insignificant effect on the company's corporate value in manufacturing companies listed on the Indonesia Stock Exchange in 2018-2020. Leverage has no significant adverse impact on firm value through dividend policy. Dividend policy cannot mediate the effect of power on solid value. Investment opportunity set has a positive and insignificant influence on substantial value through dividend policy. Dividend policy cannot reconcile the impact of the investment opportunity set on firm value. And managerial ownership has a positive and insignificant effect on substantial value through dividend policy. Dividend policy cannot mediate the impact of managerial ownership on company value in manufacturing companies listed on the Indonesia Stock Exchange in 2018-2020.

Based on the results of the discussion and conclusions obtained in this study, suggestions can be given for the company and further research, including: (1) Based on the results of the study, high leverage causes an increase in firm value, the company should maintain a high level of debt use or power to increase firm value. (2) Based on research results, a high investment opportunity set will increase the company's value; the company should increase the investment opportunity set to increase the company's value. (3) Based on the study's results, managerial ownership does not significantly affect firm value because the total value of ownership is small; companies should increase the amount of managerial ownership to increase firm value. (4) Based on research results, a high dividend policy will increase the company's value, so the company should continue to distribute dividends to increase the company's value. (5) It is recommended that further research add new variables other than those in this study to understand better what variables affect firm value. (6) This study uses all manufacturing companies listed on the IDX during 2018-2020 as research samples. For further research, you can increase the observation period.
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