

The Influence of Profitability and Debt Ratio toward the Value of Stock Mediated by the Issuer's Action (Empirical Study on Fishery Companies Listed on the Indonesia Stock Exchange Period 2008 – 2014)

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Abstract

This study aims to extend a model empirical research from the direct effect of the influencing of profitability and the debt ratio toward the value of stock to be a new model empirical research of the mediating effect of Issuer's action upon the influencing of profitability and debt ratio toward value of stock. This research was conducted at the Fishery Company listed in Indonesia Stock exchange period from 2008 to 2014. Structural Equation Model (SEM) by AMOS software 22.00 was used to analyze the data, and the result shows high goodness of fit while the simultaneous and individual tests generate significant result. The result of analysis shows that: (1) the profitability gives significantly positive influence to Issuer's Action, (2) the profitability gives significantly positive influence to value of stock, (3) the Debt Ratio gives significantly negative influence to Issuer's Action, (4) the Debt Ratio gives significantly negative influence to value of stock, (5) the Issuer's Action gives significantly positive influence to value of stock, therefore the mediated effect of Issuer's Action has more strength compared to direct effect of the profitability and the Debt Ratio toward the value of stock, so we may conclude that the result evidently shows the Issuer's Action was able to mediate the influence of profitability and debt ratio toward value of stock.

Keywords

Profitability, Debt, action, Stock, value

Received: 10 February 2016; Accepted: 14 March 2016; Published Online: 29 April 2016

DOI: 10.21776/ub.apmba.2016.004.03.1

Introduction

This research was motivated by the deference theory between theory bird in the hand, by Lintner (1962), Gordon (1963) who explained that the investors want a high dividend payout, with the dividend irrelevant theory by Modigliani Miller in Brigham and Houston (2010) stated that dividend policy does not influence the stock price or the value of the company.

The value of the company is seen as something that is very important because of the high value of the company that it will be followed by high stockholders prosperity. The value of companies that can increase prosperity for our stockholders, so stockholders will invest capital to the company (Fenandar and Surya, 2012).

As with efforts to increase stockholder value, then the manager faced with

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the alternative of financing, where the funds could come from internal sources by issuing new stock, or search from an external source in the form of short and long-term loans, which of course is risky attempt to interest payment. This is consistent with the theory that declared by Weston and Copeland (2009), that the use of more debt than equity capital will lead to a constant load of interest by the company to be high and result in profit decline that eventually will influence the amount of cash dividend to be distributed to stockholders.

Theoretically, that additional of debt will increase the level of risk on the company's revenue stream (Ross et al., 2011). The research carried by Morck et al., (1988) found that leverage has a negative but not significant impact on corporate value, and also Asad and Yousaf (2014) who proved that the findings show that leverage proxy by Debt to Equity Ratio has significant negative impact on dividend payment pattern of sampled 44 Pakistani manufacturing firms.

In contrast to the study that mentions above, Chowdhury & Chowdhury (2010) reveal that Debt to Equity ratio and Debt ratio are used by the firm as a signal related to leverage which has high implies to bankruptcy risk, instead, capital structure also influence positively on firm value.

As investor is keen to see a business opportunity, the chance of getting fund intended to increase capacity in order to increase turn over and sales will impact to profitability, it implies an increase in stock price and the value of the company. It is in line with empirical finding by Chen and Chen (2011) who stated that the ROA has a significant effect on firm value, which ROA shows the management efficiency of the enterprise's assets, an is also a positive measure of firm value.

In reality, investment activity, especially in the field of fishery is an activity that is exposed to various risks and uncertainties that are often difficult to predict by investors or prospective investors because it is very dependent on natural conditions facing the issue of climate change. To reduce the risk, investors need different kinds of information, one of which is the accounting information reflected in the financial statements as the financial statements of the company engaged in the fishery sub-sector.

Sharif (2014) former Minister of Maritime Affairs and Fishery, declared that seas in Indonesia have the potential wealth that can be used up to US\$. 171 billion per year, it will open up vast opportunities for investor to develop the fishery sector. However, developing business in sub-sector of the fishery, it requires valuable investment.

Moreover, Arthajaya (2014) declared that the realization of investment in the areas of processing and marketing of Fishery in 2013 reached IDR. 2.62 trillion, rise up 27.18% compared to the year 2012 which is IDR. 2.06 trillion, while for year 2014, the government through the Ministry of Maritime Affairs and fishery encourage the promotion of integrated fishery investment, According to Arthajaya, the needs for investment in the fishery sector was estimated about IDR. 31 trillion, but it still relatively has few investor in the business of fishery.

Based on data from BEI (<https://gopublic.idx.co.id/>), that is listed as the issuer in the Indonesia Stock Exchange 3 new issuers, while engaged in the business good Fishery catching, processing and marketing of approximately 245 companies, and the performance of listed companies is still poor where average Debt to Asset ratio equal 75% and Debt to Equity ratio

equal 400%, while the profitability ratio (Return on Assets) from minus 3.5% to minus 28.83%, and Return on Equity of minus 17.72% to minus 397.85%, while the value of the company represented by stock market value of IDR. 50 (the lowest) and IDR. 3,500 (highest, only one issuer), while the stock book value of IDR. 22 (the lowest) and IDR. 104 (highest).

Based on the background that still shows inconsistency or the gap theory and the research gap between the influence of profitability and the debt ratio toward Value of stock of the company, then this study intends to fill that gap by adding a variable Issuer's action as mediating variables. This research is important because there is gap research of previous research, so this study attempts to develop influence Profitability and Debt Ratio toward Value of stock mediated by Issuer's action. This research differs with the study of Kusumajaya (2011), Darmawan (2013) which examined the direct effect of Profitability And Debt Ratio to Growth Value Company, and Kurniawan Jhony Y. (2013) which is viewed by descriptive causal multiple regression analysis on Influence Earning per Share, Debt to Equity Ratio, Return on Assets, Return on Equity toward Stock Return, (Study Empirical At Company Real Estate And Property Listed on the Indonesia Stock Exchange (BEI) in observation 2008-2012), while this research tries to propose variables the Issuer's action indicated by dividend payout as an intervening variable in the causal relationship profitability and debt ratio toward value of stock of company at Fishery sector the period from 2008 to 2014 in Indonesia, with the quantitative approach using a structural equation modeling (SEM).

Literature

In theory bird in the hand, Lintner (1962), Gordon (1963) explained that investors want higher dividend because they

thought that obtaining the current high dividend risk is smaller than capital gains in the future, while Miller-Modigliani in Brigham and Houston (2010) states that the dividend policy has no impact on stock price and the cost of capital of a company, because the company's value is only determined by the profitability of the base and its business risks.

The value of the company is an investor perception of the company, which is often associated with the stock price. High stock price makes the company's value is also high. The main objective of companies according to the theory of the firm is to maximize wealth or value of the company or the value of the firm (Salvatore, 2005), while according to Keown et al., (2005) the value of the company is the market value of securities, debt and equity outstanding. The value of the company is an investor perception of the level of success of companies that are often associated with stock price.

The existence of company's value is to estimate present value of the firm's current and future profits. The effort of firm which related maximization the profit or simplified to earning maximizing value from the market and derived from shares of firm by the stakeholders (Mc.Guigan et al., 2011; Rashid and Sardar, 2008).

Actually, many factors that influence to value of the, such as; Chowdhury & Chowdhury (2010) explained that capital structure as the variable which have high positively significant to influence the value of stocks. Meanwhile, Emami et al., (2014) stated that corporate strategies and value of stocks and concluded that all of the features of corporate strategies together with social behaviors of firms are significantly and positively correlated with firms' values. And other researcher found that stock market liquidity, dividend

policy, profitability, the disclosure of compensation were evidence which have high sensitivity of the value of stock also (Banerjee et al., 2005).

The empirical study that was conducted by Antwi et al., (2012) who stated that capital structure is relevant to the value of firm and the influence is significant. When capital structure composition of the firm is changing, it means that changing the value of firm also. In addition, profitability has a significantly positive influence on the value of the stock. the greater the profitability of a firm, the more assignable profit there is, and the higher is the value of the company which derived (Chowdhury & Chowdhury, 2010).

Profitability is the ability of a company to make a profit (profit) in a given period. The same sense conveyed by Husnan (2001) that the profitability is the ability of a company to generate profit on the level of sales, assets, and a specific stock capital. In practice, according to Kashmir (2008) the types of profitability ratios that can be used are; net profit margin, return on investment, return on equity. The research conducted by Wirawati (2008) indicates that the variable return on equity (ROE), gives positive and significant effect to Price Book Value.

Besides profitability ratio, the leverage ratio is also an important financial indicator. Bambang Riyanto (1995) suggested that Leverage is indicative of the efficiency of the company's business activities, as well as a risk-sharing venture between the company owner and the lender or lenders. Research conducted by Sudjoko and Soebiantoro (2007) suggests that the greater the debt, the more likely the company is unable to pay the liability for interest and principal, meaning the debt policy significantly and negatively related to value of stock.

When computing the debt ratio, some managers and analysts use total capital

in the denominator in place of total assets (Baker & Powell, 2005). According to the trade-off theory, these ratios attempt to create a balance between the advantages and disadvantages of debt used in a firm's (Kapil, 2011).

In addition to the debt, the source of funds that can be used by companies to develop business is by issuing new stock as the issuer. According to the regulation of Capital Market No. 8/1995, the Issuer is a party that is the Public Offering the bidding activity Securities by the Issuer to sell securities to the public According on the procedures stipulated in this Law and its implementing regulations, while, Issuer's Action is an initiative undertaken company that might impact on investor stock ownership or stock price itself. There are many types of corporate actions a company can do with the purpose and effect is different. Besides the corporate action can also give a signal to the market about the prospects and performance of the company. Therefore the understanding of corporate actions can help investors in deciding to buy or sell stock.

Furthermore, in some kind of action listed companies, the Financial Services Authority (FSA) requires the approval of stockholders through a general meeting of either the General Meeting of Stock holders (AGM) or the General Meeting Extraordinary Stockholders (EGM).

According to Fakhrudin, Hendy (2008) The corporate action has always been a favorite news for investors in the capital market. This is because the corporate action is often interpreted as a positive signal the increased performance of the company. Where the performance improvement was expected to have an impact on improving the performance of the company's stocks on the exchange. In general, information on corporate actions had a significant influence on stock price movement in the stock. The market reaction to corporate actions by issuers can be measured by

using the return as a value change in price or using abnormal return. If used abnormal return, it can be said that a corporate action announcement containing the information content abnormal return will provide to the market.

Keown, et al (2005) suggested that in general there are three types of dividend policy, namely: constant payout ratio dividend policy is a dividend policy based on a certain percentage of revenue, regular dividend policy is a dividend policy that is based on the payment of dividend the rupiah remains in each period. Often used with a regular dividend policy targets a dividend payout ratio to wear, and the low regular an extra dividend policy is a dividend policy based on a low regular dividend payment, plus an extra dividend if there is a guarantee of income. A financial decision making by the management can lead to changes in the value of a stock of the company, these variables are expressed in a ratio of dividend per share by the earnings per share end of the year. Dividend Payout Ratio is a proxy for measuring the company's policy to pay dividend to the value of stock (Brigham and Houston, 2010).

The researchers who have proved the relationship between Dividend Payout Ratio with Share price are Zuriawati, Zakaria et al., (2012). They found a significant positive relationship between the dividend payout of a firm with share price volatility of Malaysian Construction and Material Companies.

As stated by Van and Wachowicz (2009) that dividend policy is part of the funding decision, therefore dividend policy is a difficult decision for the management. This is because the distribution of dividends on one side will meet the expectations of investors in order to get a return on their investment. Meanwhile, the presence of the expected dividend distribution will not threaten the survival of the company.

Based on the literature review that consists of empirical studies and theoretical review that has been built, it can be developed a new conceptual model that illustrated the influence of profitability and debt ratio toward the value of stock mediated by the issuer's action.

Method

Samples and observational data

The population in this study are all fishery industry companies listed on the Indonesian Stock Exchange (BEI) in the period 2008-2014. The number of population only 3 companies, therefore all of the population are used as sample;

1. Central protein Prima Tbk (CPRO)
2. Dharma Samudera Fishing Industries Tbk (DSFI)
3. Inti Agri Resources Tbk (IIKP)

From 3 sample, which is used as observation data is data monthly financial report for 7 (seven) years, so the number of data observations is equal 252 data (3 x 7 x 12), it is contains information on profitability, debt ratio, dividend payment, and stock price.

Operationalization of Variable

Based on the subject matter and hypotheses that have been formulated, the research variables can be identified as follows:

1. Independent variable

In this study, the independent variables are the profitability of the company that indicated by Return on Assets, Return on Equity and the Debt Ratio indicated by Debt to Asset ratio, Debt to Equity ratio.

2. Variable Mediation

In this study, the mediating variable is the Issuer's action proxy by Dividend Paid Out.

3. Dependent variable

In this study, the dependent variable is Value of stock indicated by the market value of stock and the book value of a stock.

Data collection technique

In this research, data were collected by the study of documentation and collected from the financial statements (annual report and quarterly report) of Fishery company listed in Indonesia Stock Exchange period 2008 -2014, throughout the website address, <https://gopublic.idx.co.id>, literature library and journals in and outside the country as well as other supporting references.

Model Research

Research hypotheses testing is done by using SEM models and the analysis of SEM (Structural Equation Modeling Analysis) also data processing using the software AMOS 22, Haryono and Wardoyo (2012), Santoso (2014). SEM analysis is a basic model used for analyzes in estimating the strength of the causal relationships depicted in the model. SEM analysis is used because allegedly there is influence between independent variables so that there is a direct and indirect effect on the dependent variable.

According on the pattern of the relationship of every variables, it can be arranged system of equations as follows:

$$\text{DPR} = f(\text{PR}) + f(\text{RH}) + e \quad (1)$$

$$\text{VALUE} = f(\text{DPR}) + e \quad (2)$$

Notes :

DPR = Dividend Paid out Ratio (Issuer's Action)

PR = Profitability

RH = Ratio of Debt

Value = Value of Stock

Results

Testing Model

Testing models include conformance test model of the overall (overall model fit test) and test individually meaningfulness (test of significance) model parameter estimation. The first test is closely related to the issue of generalization, as the result of parameter estimation model can be applied to the population. While the second test relates to testing the Hypotheses proposed research. With AMOS program version produced 22 reports the size of Goodness of Fit a structural model as follows.

Table 1: Testing Results Goodness Of Fit Model Mediation Securities Action On Effect Issuer Profitability Debt Ratio on Growth and Value Stock

Goodness of Fit Index	Cut-of Value	Result	
Chi-square (X2)	< 62,50	13,05576	Fit
Probability	> 0,05	0,097	Fit
RMSEA	< 0,08	0,030	Fit
GFI	> 0,90	0,945	Fit
AGFI	> 0,90	0,8930	Marginal Fit
CMIN/df	< 2,00	1,45064	Fit
TLI	> 0,90	0,96513	Fit
CFI	> 0,95	0,99236	Fit

Source : Output Amos 22,00

According to the results that mention on the table-1, by comparing the value of cut value with value results model of 9 (nine) testing criteria Goodness of Fit model is still there is 1 (one) the criteria that the results are still marginal fit is Ajusted Goodness of Fit Indexed by $0.8930 < 0.90$, but the other 8 (eight) testing criteria such as Chi-square, Probability, Goodness of fit indexes (GFI), RMSEA, CMIN/DF, TLI and CFI were meet to Cut value, meaning

that the model is Fit for used in testing the Hypotheses.

Hypotheses testing

To test the hypotheses of the study, using the program of AMOS version 22, that provides following figure and tables are presented the results of a regression analysis of the variables as below.

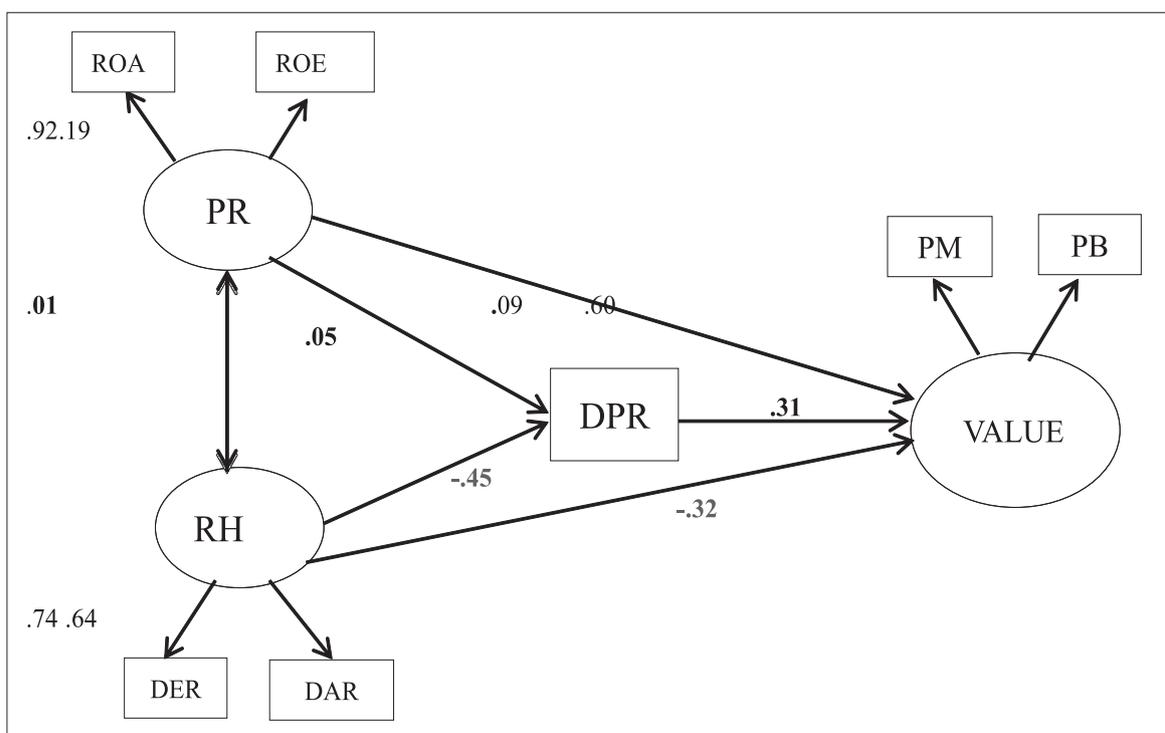


Figure 1 : The Influence of Profitability and Debt Ratio toward Value of stock mediated by Issuer’s Action

Table 2: The Coefficient of the Influence of Profitability and Debt Ratio toward Value of Stock Mediated by Issuer's Action

			Estimate	S.E.	C.R.	P	Label
DPR	<---	RH	-,45083	,00227	5,74066	***	par_3
DPR	<---	PR	,05476	,00019	2,73352	,03246	par_4
VALUE	<---	DPR	,31330	,07647	2,08894	,02618	par_7
VALUE	<---	RH	-,32244	,00225	2,09842	,00202	par_8
VALUE	<---	PR	,01796	,00002	2,09404	,05249	par_9
ROA	<---	PR	,92536				
ROE	<---	PR	,19724	0,11984	2,80532	,02063	par_1
DER	<---	RH	,74571				
DAR	<---	RH	,64661	,02558	9,12437	***	par_2
PM	<---	VALUE	,09258				
PB	<---	VALUE	,60432	,02447	2,11520	,02647	par_6

Source: Amos Output 22.00

Table 3: Coefficient of Direct Impact Profitability Debt Ratio on Growth and Value of Stock

	PR	RH	DPR	VALUE
DPR	,05476	-,45083	,00000	,00000
VALUE	,01796	-,32244	,31330	,00000
PB	,00000	,00000	,00000	,60432
PM	,00000	,00000	,00000	,09258
DAR	,00000	,64661	,00000	,00000
DER	,00000	,74571	,00000	,00000
ROE	,19724	,00000	,00000	,00000
ROA	,92536	,00000	,00000	,00000

Source: Amos Output 22.00

Table 4: Coefficient of Indirect Influence Profitability, Debt Ratio on Growth of Value Stock with variable mediated by the issuer's action

	PR	RH	DPR	VALUE
DPR	,00000	,00000	,00000	,00000
VALUE	,01961	-,14125	,00000	,00000
PB	,04931	-,65116	,43997	,00000
PM	,00325	-,04293	,02901	,00000
DAR	,00000	,00000	,00000	,00000
DER	,00000	,00000	,00000	,00000
ROE	,00000	,00000	,00000	,00000
ROA	,00000	,00000	,00000	,00000

Source: Amos Output 22.00

Discussion

This research was conducted to determine and test the mediation effect of Issuer's Action (DPR) on the influence of Profitability (PR) and Debt Ratio (RH) toward Value of stock (VALUE). According to on statistical inference test approaches structural equation model (SEM) that the results shown in the table-2 and in the figure that mention above, the following discussion is presented the hypotheses as follows;

Hypotheses 1: Profitability positively and significantly influence to the Issuer's Action

The statistical tests on this hypothesis (table-2) showed that profitability has the positive coefficient of 0.05476 on influencing Issuer's action and the result is significant where the value of "P" is 0.000 which is below 0.05 and the value of Critical Ratio (CR) of 5.74066 which is greater than 1.96. On the table-3 that mention above showed that the ROA indicator has a loading factor of 0.92536 which is greater than 0.5 with a significance level = 0.000, while the ROE indicator has a loading factor of 0.19724 which is smaller than 0.5, with a significance level = 0.0206. This means that hypotheses-1 is accepted (Widagdo, B., and Widayat. 2011: 98).

The result of this study supports the research conducted by Hadiwidjaja and Triani (2009), examined the manufacturing companies listed in Indonesia Stock Exchange (BEI), found that Factor Cash Ratio, Net Profit Margin (NPM), and Return On Investment (ROI) simultaneously has a significant influence to Dividend Payout Ratio (DPR), this condition is indicated by the coefficient of determination of 62.1%, factor ROI and NPM has significant effect partially to the Dividend Payout Ratio and the most dominant factor influence the DPR is ROI.

The results of this study also support the research conducted by Susanti et al., (2010), examines the effect of profitability, financial leverage, and the acid test ratio, either simultaneously or partially to the cash dividend on the company's base and chemical industry listed in Indonesia Stock Exchange. The sample population is 36 companies, with the observation period 2008-2010. The analytical method used is a multiple linear regression analysis. The research proves that either simultaneously or partially profitability, financial leverage, and influence the acid test ratio of a cash dividend to the company's base and chemical industry listed in Indonesia Stock Exchange.

The results of this study also support the research conducted by Ihejirika and Nwakanma (2012), also research conducted by Uwuigbe et al., (2012) who examines the effect of profitability dividend payout ratio. The evidence proved that ROA and ROE have a significant effect on the dividend payments.

Based on the result of this study and according to some researchers that mention above, therefore, we may conclude that profitability positively and significantly influence the Issuer's Action.

Hypotheses 2: Profitability positively and significantly influence the value of stock

According to the table 2 that mention above, showed that profitability has the positive coefficient of 0.01796 on influencing value of stock and the result is significant where the value of "P" is 0.0052 which is below 0.05, and the value of Critical Ratio (CR) of 2.09404 which is greater than 1.96. This means that hypotheses-2 is accepted (Widagdo and Widayat 2011).

The results of this study support for the research conducted by Wirawati (2008) proved that the variable return on equity (ROE) has positive effect and significant to Price Book Value.

The results of this study also support the research conducted Yang et al., (2010) with evidence the Taiwan stock market, who proved that the greater is firm profitability, the more distributable earnings there are for shareholders, and thus the expected firm value will be higher, and this study also support Chen and Chen (2011) with evidence listed companies in Taiwan for the years 2005-2009, proved the relationship between profitability with firm value, the results confirmed that profitability has a positive effect on firm value.

The results of this study also support the research conducted by Kusumajaya (2011), "a study on the Effect of Capital Structure And Company Growth And Value To Profitability In 27 of Manufacturing Company in Indonesia Stock Exchange" with study methods and analysis techniques document path (path). The research proves that profitability and significant positive effect on the value of the stock which indicated by stock price growth as the market price.

Based on the result of this study and according to some researchers that mention above, therefore, we may conclude that Profitability positively and significantly influence the Value of stock

Hypotheses 3: Debt Ratio negatively and significantly influence to the Issuer's Action

The statistical tests on this hypothesis (table-2) showed that profitability has the negative coefficient of -0,45083 on influencing Issuer's action and the result is significant where the value of "P" is

0.03246 which is below 0.05 and the value of Critical Ratio (CR) of 2.7335 which is greater than 1.96. On the table 3 that mention above, it appears that the indicator DAR has a loading factor of 0.74571 which is greater than 0.5 with a significance level = 0.000, and indicators DER has a loading factor of 0.64661 which is greater than 0.5, with a significance level = 0.000. This means that hypotheses-3 is accepted (Widagdo and Widayat 2011).

This is consistent with the theory who declared by Weston and Copeland (2009) argues that the use of more debt than equity capital will lead to a constant load of interest by the company to be high and result in profit decline that eventually will influence the amount of cash dividend to be distributed to stockholders.

The results of this study also support study conducted by Ahmed et al., (2008) who found that the leverage negatively influence to issuer's action indicated by dividend payment policy. And also support for study was conducted by Asad and Yousaf (2014) who proved that the findings show that leverage proxy Debt to Equity Ratio has significant negative impact on dividend payment pattern of sampled 44 Pakistani manufacturing firms.

Based on the result of this study and according to some researchers that mention above, therefore we may conclude that Debt Ratio negatively and significantly influence to the Issuer's Action

Hypotheses 4: Debt Ratio negatively and significantly influence value of stock

According to the table-2 that mention above, showed that ratio of debt has the negative coefficient of -0,32244 on influencing value of stock and the result

is significant where the value of “P” is 0.00202 which is below 0.05, and the value of Critical Ratio (CR) of 2.09842 which is greater than 1.96. This means that hypotheses-4 is accepted (Widagdo and Widayat 2011).

The results of this study support the research conducted by Sudjoko and Soebiantoro (2007) who suggests that the greater the debt, the more likely the company is unable to pay the liability for interest and principal. The risk of bankruptcy will be higher because the interest rate will rise higher than the tax savings. Research conducted gives the result that debt policy significantly and negatively related to value of stock.

The results of this study differ from the research conducted by Sofyaningsih and Hardiningsih (2011) who proved the high and low ratio of debt to equity, is not implicated in the high and low value of the company. The absence of policy influence Debt enterprise value indicates that the cost of debt and cost of equity is relatively equivalent and each has advantages and disadvantages.

The results of this study also differ from the research conducted by Antwi et al., (2012) who proved that capital structure was indicated by debt to asset ratio and debt to equity ratio is relevant to the value of firm and the influence is significant.

Based on the result of this study and according to some researchers that mention above, therefore, we may conclude that Debt Ratio negatively and significantly the influences to the Value of the stock.

Hypotheses 5: The issuer’s action positively and significantly influence the value of stock

The statistical tests on this hypothesis (table-2) showed that Issuer’s action has the positive coefficient of 0,3133 on influencing value of stock and the result is significant where the value of “P” is 0.02618 which is below 0.05 and the value of Critical Ratio (CR) of 2.08894 which is greater than 1.96. On the table 3 that mention above, it appears that the PM indicator has a loading factor of 0.09258 below 0.5 with a significance level = 0.000, and PB indicators have a loading factor of 0.60432 greater than 0.5, with a significance level = 0.02647. This means that hypotheses-5 is accepted (Widagdo and Widayat 2011).

This study proves that the theory bird in the Hand by Lintner (1962), Gordon (1963) who explained that investors want higher dividend because they thought that obtaining the current high dividend risk is smaller than capital gains in the future, also be the basis by investors in buying stock s in the fishery sub-sector.

This study also falsifies the theory of Miller Modigliani in Brigham and Houston (2010) who stated that the dividend policy has no impact on stock price and the cost of capital of a company.

The results of this study support research conducted by Keown et al., (2005) where the dividend is one of the important policy in the company because it involves stockholders who incidentally is the capital resources of the company. Investors in funds investing into stock would want a high return. Return of the stocks may be obtained from capital gains and dividend.

The results of this study also support for study conducted by Husnan (2001) which the company paying the dividend, give a sign to the market that the company has a bright future prospects and is able to maintain the level of dividend policy has been established in the previous period. Company with bright future prospects, and investors will be more eager to buy the stock. The rise in the number of stockpurchase will influence the rising volume of stock trading.

The results of this study also support theory conducted by Horne et al., (2009) dividend have the influence on stock price as it provides information, or signals, the profitability of the company. The stock price will react positively to the dividend distribution because the dividend reflects the company's earning, and dividend is used by investors as a predictor of company performance in the future.

The results of this study also support study conducted by Zakaria et al., (2012) that found there is a significant positive relationship between the dividend payout of a firm with share price volatility of Malaysian Construction and Material Companies. Based on the result of this study and according to some researchers that mentioned above, therefore, we may conclude that The issuer's action positively and significantly influences to the value of the stock.

Conclusion

This study proves that the profitability gives positive and significantly influence to the Issuer's action, where the indicator Return On Asset meet the standard loading factor, while indicators Return On Equity does not meet the standard loading factor, meaning if a company's profitability is high then the ability to pay a dividend is higher also, therefore the

hypotheses-1 is accepted and supports the previous empirical research. Furthermore, profitability is also given a positive influence and significantly to value of stock, meaning that if a company's profitability is high then the value stock is high too, therefore the hypotheses-2 is accepted and supports the previous empirical research.

This study also proves Debt Ratio gives negative influence and significantly on the issuer's action which indicators Debt to Asset Ratio and Debt to Equity Ratio, meet the standard loading factor, meaning that if the debt ratio is high then the company's ability to pay dividend is low, and therefore the hypotheses-3 is accepted and support for the results of previous empirical research. Besides that the debt ratio also gives a negative influence and significantly to the value of stock, meaning that if the debt ratio is high then the company's value of stock is low, and therefore the hypotheses-4 is accepted and supports for the results of previous empirical research.

This study also proves that the Issuer's Action gives a positive influence and significantly to the value of stock, where the indicator market value does not meet to the standard loading factor, while indicators book value meet the standard loading factor, meaning that if the ability to pay dividend by the issuers is high, then the value of stock high also, so the hypotheses-5 is accepted and in accordance with the results of previous empirical research. Therefore this study proved that the mediated effect of Issuer's Action stronger than the direct influence of Profitability, Ratios of Debt to the value of stock, meaning that the increasing of stock value will be higher if the company's profitability is high and if the debt ratio is low, mediated by the issuer's action that indicated by the payment of dividend by

cash is also high. So we may conclude that the result evidently shows the Issuer's Action was able to mediate the influence of profitability and debt ratio toward value of stock.

Implication

1. Theoretical Implications

This study contributes to the academic area in the form a recommendation and the new theoretical model of causal relationship between profitability with stock of value that conducted by Modigliani Miller in Brigham and Houston (2010) who stated that value of stock is influenced by the profitability of a company, and Weston and Copeland (2009) who stated that the use of more debt than equity capital will lead to a constant load of interest by the company, it will influence the amount of cash dividend to be distributed to stockholders. Those model can be developed by adding the Issuer's action as an intervening variable indicated by the dividend payments in cash or the dividend paid out ratio, so indirect relationship between profitability and debt ratio with value of stock is stronger than direct relationship.

2. Practical implications

The result of this research also gives recommendation for fishery practitioners in increasing a profitability throughout Return on Assets and Return on Equity which mainly has a low loading factor that has an impact to value of Stock, in another side, the Fishery company may decrease debt ratio in order may decreasing load of interest that impacted to dividend payout ability, where the loading factor of Debt to Asset Ratio and Debt to Equity Ratio is high enough that negatively impacted to value of stock. Furthermore, the Fishery company may increase the company's Dividend Payout Ratio because it has

positive effect to value of Stock. And the last recommendation for the practitioners, in order to improve the company's book value of stock by issuing new stock in expanding the business, because it has a high enough determination in shaping value of Stock.

3. Future research Recommendation

- 1) This study did not include the macro aspects such as government policies, Fiscal and others which may be used as a moderating variable in this model, and therefore in the future research, this research model can be developed more widely by adding a macro aspect, so that the results of the research will be more varied.
- 2) The object of this research is still confined to the fishery sub-sector, and therefore in the future research, the object of this study can be developed for wider coverage Agro Industry sector, so that the results of the research will be more varied.

Notes on Contributor

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