International Journal of Economy, Education, and Entrepreneurship
p-ISSN: 2798-0138 | e-ISSN: 2798-012X
Vol. 5, No. 2, August 2025
https://doi.org/10.53067/ije3.v5i2

THE EFFECT OF DEBT AND DIVIDEND POLICIES ON COMPANY VALUE IN PT UNILEVER INDONESIA Tbk LISTED ON THE NDONESIA STOCK EXCHANGE FOR THE PERIOD 2014-2023

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Abstract

This study aims to determine the effect of Debt-to-Equity Ratio and Dividend Payout Ratio on Firm Value (Earnings Per Share) at PT Unilever Indonesia Tbk, listed on the Indonesia Stock Exchange, for the 2014-2023 period. The research method used is an associative method with a quantitative approach. The data analysis used is descriptive statistical test, classical assumption test, regression analysis, coefficient of determination, T test, and F test. Based on the partial test results, the Debt Policy (Debt to Equity Ratio) has a significant negative effect on Company Value (Earnings Per Share) where the calculated T is -4.001 > T table 2.3646 with a significance value of 0.005 < 0.05 and partially the Dividend Policy (Dividend payout Ratio) does not have a significant positive effect on Company Value (Earnings Per Share) where the calculated t is 0.312 < t table 2.364 with a significance value of 0.764 > 0.05. Meanwhile, simultaneously, Debt Policy (Debt to Equity Ratio) and Dividend Policy (Dividend Payout Ratio) significantly influence Firm Value (Earnings Per Share), with the calculated F-value of 10.280 > F-table 4.74, with a significance value of 0.008 < 0.05. Furthermore, the Adjusted R-square value of 0.673 was obtained, indicating that the Debt Policy (Debt to Equity Ratio) and Dividend Policy (Dividend Payout Ratio) variables were able to explain 67.3% of Firm Value (Earnings Per Share), while the remaining 32.7% was influenced by other factors not examined in the study.
Keywords: Debt Policy, Dividend Policy, Firm Value.

INTRODUCTION

In the modern corporate world, enterprise value serves as an important measure of a company's performance, stability, and growth prospects. High enterprise value can increase investor confidence and ultimately increase the company's market price. To maximize company value, management must implement appropriate financial policies, including debt and dividend policies.

One frequently used indicator of enterprise value is Earnings Per Share (EPS), which measures net profit per outstanding share. Investors typically use EPS as a key indicator to assess a company's profitability and as a guide for determining investment decisions in the capital market.

This debt policy is measured using the Debt-to-Equity (DER) ratio, which illustrates a company's capital structure, specifically the proportion of debt compared to equity used in operational financing. A higher Debt-to-Equity Ratio indicates a company's greater use of debt than equity, which can impact both risks and opportunities for value creation.

Meanwhile, dividend policy, measured by the Dividend Payout Ratio (DPR), indicates how much of a company's profits are distributed to shareholders. The Dividend Payout Ratio (DPR) reflects a company's strategy for managing cash flow, whether it favors returning it to investors or retaining it for expansion. The importance of these two policies can be seen in the journey of PT Unilever Indonesia Tbk (UNVR) over the past few years.

According to Palupi and Hendiarto (2018), debt policy is a company's funding policy that originates from external sources. This policy describes the long-term debt held by the company to

finance its operations. Determining this debt policy is related to the company's capital structure because debt is one component in achieving an optimal capital structure. According to Wulandari (2023), implementing a company's debt policy is a strategic choice made by a company's management to allocate resources from debt to fund operations.

Dividend policy is an inseparable part of a company's financing decisions. According to Musthafa (2017:141), "Dividend policy is the decision whether a company's profits will be distributed to shareholders as dividends or retained as retained earnings to finance future investments." According to Sugeng (2019:401), "Dividend policy is the determination of the amount of dividends or portion of profits to be distributed as dividends and how much should be retained within the company to meet the company's funding needs, as well as the distribution pattern."

If a company is likened to an item, then its value is the selling price of that item when it is sold. According to Windasari et al. (2023), company value is investors' perception of a company's success, often associated with its stock price. High company value is a primary focus for company owners, as a high company value indicates the company's ability to attract investors.

According to Endah (2021:26), several factors influence company value. First, profitability is the net profit earned by a company from its operations. This ratio measures the company's ability to generate profits at a certain level of sales, assets, and share capital. Second, dividend policy is the decision whether the company's profits will be distributed to shareholders as dividends or retained as earnings to finance future investments. Third, debt policy is a financing decision related to determining the appropriate capital structure for the company.

According to Rustan (2023:20), "Debt policy is a management decision about how a company will finance its operations and how much debt to use for that financing." Debt policy includes selecting the type and source of debt to be used, the amount of debt to be taken on, the repayment period, and the cost of capital required to service the debt. A company's debt policy is crucial because it can impact the company's value and the risks it faces. Companies with a balanced debt policy can increase their value by increasing returns on shareholder capital. On the other hand, companies that use too much debt can face a greater risk of bankruptcy because the debt must be repaid with interest.

Meanwhile, according to Irma et al. (2021:77), "Dividends are compensation received by shareholders, in addition to capital gains." This compensation is received by shareholders according to their percentage ownership (the number of shares held by the shareholder). The distribution of dividends to shareholders will reduce the company's retained earnings and cash available. However, distributing a portion of profits to shareholders is also a primary goal of a company's business. The amount of dividends to be distributed to shareholders is proposed by the board of directors and approved at the General Meeting of Shareholders (GMS).

METHOD

This study employs quantitative research. Testing is conducted by examining the level of significance between the dependent and independent variables. According to Nugroho and Haritanto (2022:21), "Quantitative research is a type of research that produces findings that can be achieved using statistical procedures or other means of quantification (measurement)."

In this study, the population used is all annual financial reports of PT Unilever Indonesia Tbk listed on the Indonesia Stock Exchange. The sample used in the study is the statement of financial position (balance sheet) and income statement of PT Unilever Indonesia Tbk for the period 2014-2023. The data used in this study are secondary data obtained through literature review/literature research and documentation studies. The tests used include classical assumption tests, multiple linear regression analysis, coefficient of determination, and hypothesis testing, both partially and simultaneously.

RESULTS AND DISCUSSION

Classical Assumption Test

1. **Normality Test**

Table 1 Kolmogorov-Smirnov Test Statistical Results

One-Sample Kolmogorov-Smirnov Test			
			Unstandardized Residual
N			10
Normal Parameters[a,b]	Mean		.0000000
	Std. Deviation		206.06695521
Most Extreme Differences	Absolute		.193
	Positive		.193
	Negative		-.129
Test Statistic			.193
Asymp. Sig. (2-tailed)[c]			.200[d]
Monte Carlo Sig. (2-tailed)[e]	Sig.		.358
	99% Confidence Interval	Lower Bound	.345
		Upper Bound	.370
a. Test distribution is Normal.			
b. Calculated from data.			
c. Lilliefors Significance Correction.			
d. This is a lower bound of the true significance.			
e. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 926214481.			

Source: Data processed with SPSS v. 27

Based on the table above, the normality test using the Kolmogorov-Smirov test shows a significance value (Asymp. Sig. (2-tailed) of 0.200, which exceeds 0.05, indicating that the data distribution used in this study is normal.

2. Multicollinearity Test

Table 2 Multicollinearity Test Results

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1243.110	2345.977		.530	.613		
	Debt to Equity Ratio	-505.770	126.416	-.899	-4.001	.005	.719	1.391
	Dividend Payout Ratio	778.611	2494.400	.070	.312	.764	.719	1.391
a. Dependent Variable: Earnings Per Share								

Source: Data processed with SPSS v. 27

Based on the presented data, the Variance Inflation Factor (VIF) value for the Debt to Equity Ratio (X1) variable is 1.391 and the Dividend Payout Ratio (X2) is 1.391. Meanwhile, the Tolerance value for the Debt to Equity Ratio (X1) is 0.719 and the Dividend Payout Ratio (X2) is 0.719. Clearly, all variables have values greater than 0.1, and the Variance Inflation Factor (VIF) is less than 10. This indicates the absence of multicollinearity among the independent variables.

3. Heteroscedasticity Test

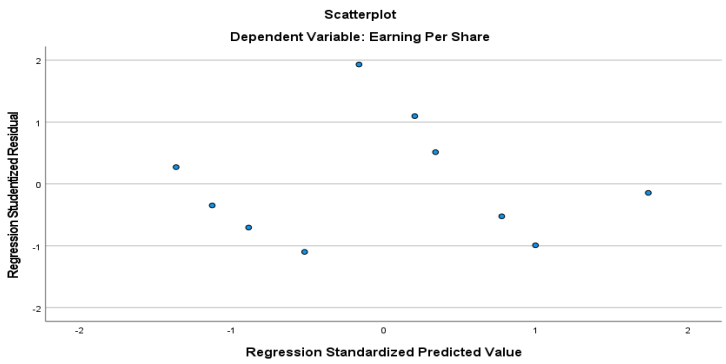

Figure 1 Heteroscedasticity Test Results

Source: Data processed with SPSS v. 27

Referring to the figure above, the distribution of the points appears random, even above and below the zero line on the y-axis. This pattern indicates that the regression model used does not experience heteroscedasticity.

4. Autocorrelation Test

Table 3 Autocorrelation Test Results
Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.864[a]	.746	.673	233.65796	2.077
a. Predictors: (Constant), Dividend Payout Ratio, Debt to Equity Ratio					
b. Dependent Variable: Earnings Per Share					

Source: Data processed with SPSS v. 27

The table above shows the results of the Durbin-Watson autocorrelation test, which obtained a value of 2.077. This means that if the Durbin-Watson value is between du and 4 minus du (du < DW < 4 - du), then there is no autocorrelation. Referring to these results, since the value of 2.077 is between 1.6413 and 2.3587 (1.6413 < 2.077 < 2.3587), it can be concluded that there is no autocorrelation in the data.

Multiple Linear Regression Analysis

Table 4 Multiple Linear Regression Test Results

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1243.110	2345.977		.530	.613
	Debt to Equity Ratio	-505.770	126.416	-.899	-4.001	.005
	Dividend Payout Ratio	778.611	2494.400	.070	.312	.764
a. Dependent Variable: Earnings Per Share						

Source: Data processed with SPSS v. 27

This results in the following multiple linear regression equation:

$$Y = 1{,}243.110 – 505.770X1 + 778.611X2$$

The following conclusions can be drawn from the multiple linear regression analysis:

The constant (a) of 1,243.110 indicates that changes in the Debt-to-Equity Ratio and Dividend Payout Ratio variables are constant at 0, resulting in the Earnings Per Share value of 1,243.110.

The coefficient value for the Debt to Equity Ratio variable (X1) is -505.770. This indicates that every one unit increase in the Debt-to-Equity Ratio will result in a decrease in Earnings Per Share (Y) of 505.770.

The coefficient value for the Dividend Payout Ratio variable (X2) is 778.611. This indicates that every one-unit increase in the Dividend Payout Ratio will result in a 778.611 increase in Earnings Per Share (Y).

Coefficient of Determination

Table 5 Results of the Coefficient of Determination Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.864[a]	.746	.673	233.65796	2.077
a. Predictors: (Constant), Dividend Payout Ratio, Debt to Equity Ratio					
b. Dependent Variable: Earnings Per Share					

Source: Data processed with SPSS v. 27

According to Table 5, the R-square value is 0.746, while the Adjusted R-square value is 0.673, equivalent to 67.3%. This indicates that the debt policy variable, represented by the Debt-to-Equity Ratio (DER), and dividend policy, measured by the Dividend Payout Ratio (DPR), are able to explain 67.3% of the variation in firm value, represented by Earnings Per Share (EPS). The remaining 32.7% is explained by other variables outside the scope of this study. Therefore, it can be concluded that the Debt-to-Equity Ratio and Dividend Payout Ratio have a significant influence on Earnings Per Share as the dependent variable.

Classical Assumption Test

1. Partial Test (T-Test)

Table 6 Results of Partial Significance Test (T-Test)

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1243.110	2345.977		.530	.613
	Debt to Equity Ratio	-505.770	126.416	-.899	-4.001	.005
	Dividend Payout Ratio	778.611	2494.400	.070	.312	.764
a. Dependent Variable: Earnings Per Share						

Source: Data processed with SPSS v. 27.

The calculated T value for the Debt to Equity Ratio variable is -4.001 with a significance value of 0.005. The calculated T value of -4.001 is greater than the T value of 2.3646 and the significance value of 0.005 is less than 0.05. This indicates that the Debt-to-Equity Ratio (DER) has a partial negative and significant effect on Earnings Per Share (EPS).

The calculated T value for the Dividend Payout Ratio variable is 0.312 with a significance value of 0.764. The calculated T value of 0.312 is less than the T value of 2.364 and the significance value of 0.764 is greater than 0.05. This indicates that the Dividend Payout Ratio (DPR) has no partial and significant effect on Earnings Per Share (EPS).

2. Simultaneous Test (F Test)

Table 7 Results of the Simultaneous Significance Test (F Test)

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1122492.111	2	561246.055	10.280	.008[b]
	Residual	382172.310	7	54596.044		
	Total	1504664.421	9			
a. Dependent Variable: Earnings Per Share						

b. Predictors: (Constant), Dividend Payout Ratio, Debt to Equity Ratio

Source: Data processed with SPSS v. 27

Referring to the table above, the calculated F-value of 10.280 exceeds the F-value of 4.74. Furthermore, the significance level was recorded at 0.008, which is less than the significance threshold of 0.05. In other words, there is a simultaneous significant effect between debt policy (Debt to Equity Ratio) and dividend policy (Dividend Payout Ratio) on firm value, as represented by Earnings Per Share (EPS).

The Effect of Debt Policy (DER) on Firm Value (EPS) at PT Unilever Indonesia Tbk, 2014-2023

The results of the T-test (Partial Test) in this study indicate a calculated T-value of -4.001, greater than the T-table value of 2.3646, and a significance value of 0.005, below the 0.05 threshold. Based on these results, it can be concluded that debt policy negatively impacts firm value. This indicates that an increase in the Debt-to-Equity Ratio tends to be accompanied by a decrease in Earnings Per Share, reflecting that investors view the productive use of debt as a factor that can increase a company's financial risk.

Similar research by Debkarina and Ruhiyat (2024) found that debt policy variables influence firm value. Similarly, Nasution (2020) also found that individual (partial) debt policy negatively impacts firm value.

The Effect of Dividend Policy (DPR) on Firm Value (EPS) at PT Unilever Indonesia Tbk for the 2014-2023 Period

The results of partial tests, including correlation coefficients, determination coefficients, and linear regression, found that organizational climate plays a role in improving civil servant performance at the Banten Province Regional Library and Archives Service.

Based on the partial T-test results in this study, the Dividend Payout Ratio (DPR) variable was shown to have no significant effect on Earnings Per Share (EPS). This is indicated by the calculated T-value of 0.312, which is smaller than the T-table of 2.364, and the significance value of 0.764, which exceeds the 0.05 threshold. Thus, it can be concluded that dividend policy has no effect on firm value. This indicates that each increase in the Dividend Payout Ratio is generally followed by an upward trend in firm value, reflected in Earnings Per Share, although this relationship is not statistically significant. An increase in the Dividend Payout Ratio reflects that the company is more likely to distribute a larger portion of its profits to shareholders in the form of dividends, while reducing the amount of retained earnings.

This finding aligns with the research conducted by Musyaffa et al. (2024), which showed that dividend policy has a positive but insignificant effect on firm value. Similar findings were also

presented by Hendryani and Amin (2022), who concluded that dividend policy does not significantly influence firm value.

The Effect of Debt Policy (DER) and Dividend Policy (DPR) on Firm Value (EPS) at PT Unilever Indonesia Tbk, 2014-2023

The results of the study showed a simultaneous F-test with a probability value of 0.008 <0.05. The calculated F value of 10.280 > F table value of 4.74 thus simultaneously the debt policy variable represented through the Debt to Equity Ratio (DER) (X_1) and the dividend policy represented through the Dividend Payout Ratio (DPR) (X_2) have a positive and significant effect on the company's value, which is represented using Earnings Per Share (EPS) (Y), at PT Unilever Indonesia Tbk listed on the Indonesia Stock Exchange (IDX) during the 2014-2023 research period. These results indicate that although partially only the debt policy variable has a significant effect on the company's value, when the debt policy and dividend policy are analyzed simultaneously, both have a positive and significant effect on the company's value.

The results of this study are supported by research conducted by Rosmaneliana et al. (2024), which also showed similar results, where the simultaneous influence of debt policy and dividend policy on firm value showed a positive and significant result, although in some cases the partial influence of each variable was not always significant.

CONCLUSION

The conclusions drawn from the analysis are as follows:

1. Debt policy has a partial significant influence on firm value, with T table being 2.3646. This result indicates that T count > T table, i.e., -4.001 > 2.3646. This indicates that there is a partial influence between debt policy and firm value.
2. Dividend policy has no partial effect on firm value because the probability test results for dividend policy are 0.764 > 0.05, and the calculated t value is 0.312, while the t value is 2.364. These results indicate that calculated T < T table, i.e., 0.312 < 2.364. This means that there is no partial effect between dividend policy and firm value.
3. Debt policy and dividend policy simultaneously have a significant effect on firm value, so the third hypothesis is accepted because the test results show that calculated F > F table (10.280 > 4.74) and the probability value is < 0.05 (0.008 < 0.05). This means that there is a simultaneous effect between debt policy and dividend policy on firm value.

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