

ABSTRACT

THE EFFECT OF PROFITABILITY, CAPITAL STRUCTURE, AND DIVIDEND POLICY ON FIRM VALUE OF MANUFACTURING COMPANIES LISTED IN INDONESIA STOCK EXCHANGE IN 2007-2013

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This study aimed to examine the effect of profitability, capital structure and dividend policy on firm value of manufacturing companies listed in Indonesia Stock Exchange 2007-2013 period.

The type of research used is the descriptive quantitative method. Samples were obtained by using purposive sampling method by using several criteria established by the authors, and as the result 11 companies are used as samples of this research. The analysis method used in this research is multiple linear regression analysis.

The results of the F test analysis showed that the variable profitability, capital structure and dividend policy significantly affects the firm value. The results of t-test showed that profitability and capital structure significantly affect the firm value, while the dividend policy does not significantly affect the firm value. The coefficient of determination ($R^2 = 0.686$ or 68.6%), which means that 68.4% of the variation change in firm value is explained by profitability, capital structure and dividend policy, while the remaining 31.40% is explained by other factors.

Keywords: Profitability, capital structure, dividend policy, and firm value.