The Effects of Leverage, Investment Decision, Dividend Policy and Profitability, on Firm Value of the Automotive Sector Companies

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Abstract

This paper examined the impact of leverage, investment decision, dividend policy and profitability on the firm value of the automotive sector companies from 2010 - 2016. There are 12 firms chosen using a purposive sampling technique implementing specific criteria. Those firms are publicly listed on the Indonesia Stock Exchange. Panel data regression (Pooled OLS, Fixed Effects, and Random Effects) is used in this research. The results have shown that leverage, dividend policy and profitability, have a positive and significant impact on firms' value. A rise in these factors will lead to an increasing stock price, whereas even though has has a positive impact, but investment decision not a substantial effect on company value.

Keywords: the firm value, leverage, investment decisions, dividend policy and profitability.

Abstrak

Penelitian ini bertujuan untuk menganalisa pengaruh profitabilitas, leverage, keputusan investasi, dan kebijakan dividen terhadap nilai perusahaan pada perusahaan sektor otomotif dari tahun 2010 - 2016. Terdapat 12 perusahaan yang dipilih menggunakan teknik purposive sampling dengan menerapkan kriteria tertentu. Perusahaan-perusahaan tersebut merupakan tercatat secara publik di Bursa Efek Indonesia. Metode penelitian yang digunakan dalam penelitian ini adalah regresi data panel (Pooled OLS, Fixed Effects, dan Random Effects). Berdasarkan hasil penelitian menunjukkan bawah nilai perusahaan dipengaruhi secara positif dan signifikan oleh variabel leverage, kebijakan dividen an profitabilitas. Kenaikan faktor-faktor ini akan menyebabkan kenaikan harga saham, sedangkan variabel lainnya yaitu keputusan investasi tidak signifikan walau berpengaruh positif terhadap nilai perusahaan.

Kata Kunci: nilai perusahaan; leverage; keputusan investasi; kebijakan dividen dan profitabilitas

INTRODUCTION

Amid fierce competition, firms management tries to improve their firm value. By increasing this value, the company's goal of maximizing shareholder welfare can be achieved (Wahyudi and Pawestri, 2006). For this reason, financial managers should anticipate future firm competition. They have to make quick adjustments and decisions to accomplish their goals (Sartono, 2001). Investors always observe the company's performance or prospects

through the achievement of the company's value. The stock price is reflected in the company's value.

The increasing value of a company will attract investors to invest their funds in this company. According to Brigham and Houston (2001) about signaling theory, it is said that messages can be a management tool. By employing descriptions in financial reports to provide signals of future expectations and goals. The firm value can be estimated from the stock price obtained from the stock market for listed companies. The stock price is employed as a proxy for firm value. Ang (1997) states " the price of to book value is used as an indicator of firm value, which compares the share price and the book value per share".

The development of company value in the automotive sector listed on IDX for three years, from 2014 to 2016, shows a declining trend. This is reflected in the average price to book value (PBV) of 1.62, 1.18, and 1.10 for the three years. From the results of previous studies, several factors influence firm value. These factors include profitability, leverage, liquidity, firm size, firm growth, ownership, corporate governance, corporate social responsibility, and risk. These factors come from internal and external to the company. This research will focus on the firm's internal factors that have a significant impact on firm value. Internal factors are factors within the company's control. The independent factors determined are profitability, leverage, investment policy, and dividend policy.

Profitability is the company's ability to generate profits. Sujoko and Soebiantoro (2007) explain that high profitability indicates good firm prospects so that investors will respond positively to these signals; thus, stock prices and firm value are expected to increase. Ayuningsih (2013) proves that profitability has a significant and positive impact on firm value.

The debt policy, which uses the ratio between total debt and total equity, determines the amount of debt the firm will use to finance its assets. Prihantoro (2003) states that the debt-equity ratio (DER) reflects the company's ability to meet all its obligations, which is indicated by how many shares of its capital are used to pay debts.Investment decision is another factor that can impact firm value. In investment decisions, managers must have the ability to decide how much funds to invest in generating profits. In making investment decisions, it must be supported by determining the source dan form of funds to finance the investment. This is reinforced by Fenandar and Raharja (2012) research that investment decisions have a positive and significant effect on firm value.

Dividend policy is a function that cannot be separated from firm funding policy. The firm value or stock value in the capital market can be affected by dividend policy. In addition to debt policy and investment decisions, Modigliani Miller's dividend policy theory can also affect firm value. The information content of the dividend hypothesis in the research of Nissim and Ziv (2001) states that dividend changes are a trigger for stock prices because these dividend changes provide new information about profitability in the following year.

LITERATURE REVIEW

Signaling Theory

Signaling theory supports this research on the firm value variable (PBV) through stock prices. Zhao et al. (2004) suggest that the concept of signal theory was first studied in the labor market and goods market by Akerlof and Arrow. It was developed into a signal balance theory by Spence. According to Morris (1987), signal theory explains the problem of information asymmetry in the market. This theory shows how information asymmetry is in the market. Information asymmetry in the capital market can occur because it has more information than the company's external parties. Brigham and Houston 2001 state "signal is

an action taken by a firm to guide investors about how management views the company's prospects". Information can be obtained from signals that describe the work of management to realize the goals of the shareholder. Signs can also indicate that the company is more immeasurable than other companies.

Pecking Order Theory

Donaldson was first introduced this theory in 1961, while the naming of the pecking order theory was carried out by Myers and Majluf in 1984. This theory is called the pecking order theory because it explains why a firm will determine the hierarchy of its most preferred sources of funds. In brief, the summary of the method states that: internal financing (funding from company's operation) is the main priority, (2), if it is still not sufficient, the company can issue the safest securities such as bonds from external funding, and finally, it can be done by issuing new stock, only when there is still inadequate new stock issued

The Trade-Off Model

The trade-off theory is to support this research on financial policy variables. Trade-off theory assumes that a firm has an optimal ratio between debt and Equity, determined by the benefits and costs of liability.

Firm Value

The company goal is to increase firm value because the higher the prosperity of the shareholders can be reflected by the firm value, . High firm value can increase shareholders' success in investing their capital in the firm (Haruman, 2007). According to Hasnawati, as Wijaya and Wibawa (2010) stated, firm value is also defined as a market value because the firm value can provide maximum prosperity for shareholders if the company's share price increases. The opinions above reinforce Fama's (1978) belief that " firm value will be reflected in its share price." This research used price to book value (PBV) as a proxy for firm value.

A high price to book value will gain the market belief in the company's prospects. This is also the desire of firm owners because high firm value indicates increased shareholder prosperity (Soliha and Taswan, 2002). Suppose book value is the price recorded at firm value. In that case, the market value is the share price that occurs in a particular stock exchange market, formed by market participants' demand and supply of shares. The firm's market value is the value the exchange provides to management and the firm as a growing organization.

$$PBV = \frac{\text{Price Per Share}}{\text{Book Value Per Share}} \text{ x } 100\%$$

Profitability

Profitability represents management's performance in handling the firm or often referred to as the company's ability to generate profits. Brigham and Houston (2006: 629) argue that "Profitability is the net result of some policies and decisions." Meanwhile, according to Saidi (2004), "profitability is the company's ability to earn profits." Investors investing in the firms are getting a return consisting of yield and capital gain—in this study, use Return On Assets (ROA) as a proxy for profitability.

Return on Asset (ROA)

Return on assets (ROA) covers the company's ability to generate net income based on a certain level of assets (Hanafi, 2004). Kabo (2012), in his blog on financial management, discusses ROA; this ratio describes the company's ability to generate profits from every rupiah of assets used. Knowing this ratio can be assessed whether the firm is efficient in utilizing its assets in its operational activities. ROA also provides a better measure of the company's profitability because it explains the management's effectiveness in using assets to generate revenue. Kabo (2012) also states that a positive ROA reveals that the total assets used for firm operations can profit the company. Conversely, if the ROA is negative, it explains that the total assets used do not provide a gain/loss.

$$\text{Return On Assets} = \frac{\text{profit Before Tax and Interest}}{\text{Total Aset}} \text{ x } 100\%$$

Debt Policy

The decision regarding the company's financial structure can also be interpreted by debt policy. The company's financial structure is a composition of debt policies that include short-term debt, long-term debt, and Equity. Each firm will expect to maximize firm value and minimize the cost of capital. According to Modigliani and Miller (1963) in Haruman (2007), it is stated that funding can increase firm value. If funding is financed through debt, this increase will occur as a result of the tax-deductible effect. Besides, external financing will increase the company's revenue, which will be used for investment activities—in this study, using debt to Equity (DER) as a proxy for debt policy. DER shows how much the company's capital covers the company's debt. Using DER, it will be known whether the company's Equity is sufficient to finance existing deficits. A high DER means that the firm uses high debt. Thi high debt will increase risk, but on the other hand, the use of high debt will increase profitability. If sales are high, then the firm can get high profits because it only pays fixed interest. Conversely, if sales decline, the firm is forced to suffer losses because of the interest expense that must still be paid (Hanafi, 2004).

$$\text{DER} = \frac{\text{Total Liabilities}}{\text{Total Equity}} \text{ x } 100\%$$

Investment Decisions

Investment is sacrificing assets to acquire future assets with a more significant amount. According to Tandelilin (2001), investment is a commitment to funds or other resources to gain many benefits in the future. Investment decisions can be classified into short-term investments in inventories, receivables, cash, securities, and long-term investments in equipment, land, buildings, vehicles, and other fixed activities. This study uses the Market to Book Value of Assets (MBVA) price to proxy investment decisions.
Hasnawati (2005) states that the market-to-book value of assets uses to measure investment opportunity. According to Kallapur and Tombley (1999) in Fitrijanti and Hartono (2002), this ratio is based on the premise that the company's growth prospects are reflected in the stock price. The market sees a growing firm as more significant than its book value. According to Weston and Brigham (1999), the market value ratio to book value describes the historical

cost of an establishment and its physical assets. A well-run firm with reliable management staff and an organization that functions efficiently will have a market value greater than or at least equal to the book value of its physical asset.

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$$MBVA = \frac{Aset - Total\ Equity + (Number\ os\ share\ outstanding\ x\ closing\ price)}{Total\ Aset}\ x\ 100\%$$

Dividend Policy

Dividends are payments from the firm to the shareholders for the profits they earn. Dividends are also a reason for investors to invest, where dividends are the return they will receive on their investment in the company. Dividend policy is a decision regarding whether the profits earned by the firm will be retained for future investment financing or distributed to shareholders as dividends. There is a trade-off in dividend policy, and it isn't easy to distribute profits as dividends or reinvest. This research applies the dividend payout ratio (DPR) as a proxy for dividend policy.

According to Hin (2001), "the dividend payout ratio is the ratio of dividends paid to shareholders and net earnings per share." Meanwhile, according to Keown (2005), "the dividend payout ratio dividends paid relative to the company's net income or income per share." Therefore, it can be concluded that (1) this dividend payout ratio shows the percentage of profit distributed to shareholders, (2) the company's net income, (3) the comparison between dividends per share and earnings per share, (4)) the dividend amount is announced and determined at the GMS.

$$Dividend\ Payout\ Ration = \frac{Dividend\ Per\ Share}{Earning\ Per\ Share}\ x\ 100\%$$

Previous Research

Several previous researchers have examined those that aim to explain the firm value, but this empirical research proved that impact firm value is different. Some researchers who make the firm value as the object their studies is like, Gunawan (2011), who emphasizes that investment decisions positively affect company value, funding decisions have no impact on firm value, dividend policy has significant and negative effect on firm value, and interest rates do not affect firm value. Then, Fenandar and Raharja (2012) who describes that investment decisions positively and significantly affect firm value. Funding decisions do not essentially impact company value, and dividend policy has a positive and vital impact on firm value. Similarly, Mardiyati et al. (2012) explain that dividend policy and debt policy have no effect on firm value, and profitability positively impacts company alue. Efni et (2012) reveal that investment decisions significantly influence firm value, funding decisions, and dividends

policies do not have a considerable impact. Finally, Sucuahi & Cambarihan (2016) explain that only the business's profitability was able to influence the firm value statistically significantly.

RESEARCH METHOD

Population and Sample

The population in this Research was 12 automotive companies listed on the Indonesian stock exchange (IDX) from 2016 to 2012. The purposive sampling that employs specific criteria is used in this study to obtain research sampling**.** Those criteria used are as follows (1) Manufacturing companies that issued Audited Financial from 2010-2016. (2) Automotive companies that have data on firm value (PBV),, debt policy (DER), investment decisions (MBVA), and dividend policy (DPR) and profitability (ROA.

Table 1. Research sample selection procedure

Information	Total
Manufacturing companies with the automotive sub-sector listed on the IDX for the year 2010-2016	12
Unqualified automotive sub-sector companies:	
1. Automotive companies that do not issue Audited Financial Statements (2010-2016)	0
2. Automotive sub-sector companies that do not have data on Profitability, Debt Policy, Investment Decisions, Dividend Policies, and firm value.	0
Sub total companies that do not meet the requirements	0
Total companies sampled (Eligible)	12

Source : www.idx.co.id and IICD

All automotive companies listed on the Indonesia Stock Exchange for the financial year 2010-2016 are eligible for research. List of companies that meet the requirements for this research are   PT Goodyear Indonesia Tbk, PT Gajah Tunggal Tbk, PT Indomobil Sukses International Tbk, PT Indospring Tbk, PT Multi Prima Sejahtera Tbk. , PT Multistrada Arah Sarana Tbk, PT Nipress Tbk, PT Prima Alloy Steel Universal Tbk, PT Astra International Tbk, PT Astra Auto Part Tbk, PT Indo Kordsa Tbk and PT Selamat Sempurna Tbk.

Methodology

Panel data regression

The research method used is descriptive and verification research through panel data regression analysis. Sugiyono (2003) states that " a descriptive study is a research conducted to determine the value of the independent variable, either one or more (independent) variables, without performing comparisons or connecting one variable to another." Surakhmad (2004) emphasized that a descriptive investigation focused on solving problems. This study also aims to analyze the firm value, using Return on Assets (ROA), Debt to Equity Ratio (DER), Market to Book Value of Assets (MBVA), Dividend Payout Ratio (DPR) as independent variables. Price to Book Value (PBV) is the dependent variable.

According to Nachrowi (2006), "by using panel data, researchers can see fluctuations in the profits of one firm in a certain period and several companies' earnings at a time." This is an advantage in using panel data because, in a study, there are times when a researcher cannot

make an analysis using only time-series data or cross-section data. Several techniques are used in panel data regression: Pooled Least Square (PLS), Fixed Effects Model, and Random Effects Model (Nachrowi, 2006).

Classical Assumption Tests

For this research to obtain the results of data analysis that meet the test requirements, the classical assumption is tested for statistical testing. The test results are expected to obtain BLUE (Best Linear Unbiased Estimator) qualification. Unbiased, which means that the estimation results match the actual value and the minimum variance. Testing this classical assumption is employed of the EViews 6 software. There are two classical assumptions to be tested, namely the Multicollinearity Test and the Heteroscedasticity Test.

RESULTS AND DISCUSSION

Testing Panel Data

The Chow, Hausman, and Lagrange Multiplier tests were employed to select the best model. The data characteristics and research objectives chose the method. The estimation process gave more precise results between the Common Effect Model (CEM) model, the Fixed Effect (FEM) Method, and the Random Effect Method (REM). The Chow test will obtain the best model between the common effect model (CEM) and The Effect Model (FEM). The following is a hypothesis from the Chow Test:

Table 2. Chow test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	6.663067	(11,68)	0.0000
Cross-section Chi-square	61.431992	11	0.0000

The results of the Chow Test with a confidence level of 95% ($\alpha = 5\%$). The Chi-square cross-section value is 0.0000, where the value is less than α (0.05), then H0 is rejected so that the estimation method used is the Fixed Effect Model (FEM).

After performing the Chow test, the Hausman test is used to choose between the Fixed Effect Model (FEM) or the Random Effect Model (REM). This table shows that the probability value of the Chi-square cross-section has a value less than α (0.05), so the decision is to reject H0, which means that the Fixed Effect Model (FEM) is the suitable model and is more efficient than Random Effect Model (REM).

Tabel 3. Hausman test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	14.604838	4	0.0056

The results of the Chow test and the Hausman test above concluded that the Fixed Effect Model (FEM) is the most appropriate model to be used for the research model.

Multicollinearity Test

Multicolonierity test aims to test whether the regression model found a correlation between independent variables (independent). A good regression model should not correlate with the independent variables. The multicollinearity problem in the research model can be seen from the correlation value between variables. If the correlation value between variables

is more significant than 0.8, then the model has a multicollinearity problem. Following are the results of the Multicollinearity test with the partial correlation method:

Table 4. Multicollinearity Test

	ROA	DER	MBVA	DPR
ROA	1	0.6805	0.6379	-0.3446
DER	0.6805	1	0.3008	-0.2698
MBVA	0.6379	0.3008	1	-0.1325
DPR	-0.3446	-0.2698	-0.1325	1

The results of the multicollinearity test confirm that the correlation value between the independent variables is below 0.8. Thus, the results show that there is no multicollinearity problem in this study.

Heteroscedasticity Test

The heteroscedasticity test aims to test an inequality of variants from the residuals of one observation to another. If the residual option of another observation remains, it is called homoscedasticity. Ghozali (2006) state, "A good regression model, is a homoscedasticity or heteroscedasticity does not occur."

Tabel 5. Heteroscedasticity test

Item	Value	Item	Value
F-statistic	0.186690	Prob. F(4,2)	0.926
Obs*R-squared	1.903089	Prob. Chi-Square(4)	0.7536
Scaled explained SS	0.147581	Prob. Chi-Square(4)	0.9974

Table 5 shows that there is no heteroscedasticity in the model because the Chi-Square probability is 0.75 or greater than 0.05.

F Statistical Test

Simultaneous significance testing was carried out to determine the effect of the independent variables, namely DER, MBVA, DPR and ROA on the dependent variable, namely PBV.

Table 6. F Statistical Test

Item	Value	Item	Value
R-squared	0.806418	Mean dependent var	1.585833
Adjusted R-squared	0.763716	S.D. dependent var	1.344503
S.E. of regression	0.653550	Akaike info criterion	2.156847
Sum squared resid	29.04466	Schwarz criterion	2.619860
Log-likelihood	-74.58758	Hannan-Quinn criteria.	2.342974
F-statistic	18.88486	Durbin-Watson stat	2.100857
Prob(F-statistic)	0.000000		

By using E-view, the F test result is 18.88 with a significant probability value of $0.0000 < \alpha = 0.05$. Thus it can be concluded that statistically, the independent variables, namely ROA, DER, MBVA, and DPR, have a positive and significant effect on the dependent variable PBV.

Determination Coefficient Test (R^2)

In this research equation model, R^2 shows the proportions of the independent variables, namely ROA, DER, MBVA, and DPR, to the dependent variable, namely PBV. The results of the coefficient of determination (R^2) in table 7 are 0.806, which means that 80.6%, firm value (PBV) in this study is explained by the variables ROA, DER, MBVA, and DPR. In comparison, 19.4% of company value can be explained by other variables.

Partial Significance Test (t-test)

The t-test was conducted to recognize the magnitude of the influence of each independent variable on the dependent variable statistically. The results shown in the table below show that all independent variables have an effect but are not significant on firm value.

Table 7. T Statistical Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.406254	0.232952	1.743939	0.0857
ROA	0.084362	0.015933	5.294793	0.0000
DER	0.467406	0.102927	4.541155	0.0000
MBVA	0.076426	0.192203	0.397633	0.6921
DPR	0.054109	0.003222	0.499376	0.0431

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The results of the test (t-test) show as follows:

Effect of Profitability (ROA) on Firm Value (PBV)

The results show that the profitability variable (ROA) has a positive regression coefficient value of 0.084 with a probability value of 0.00. This indicates that the p-value is $0.00 < \alpha$ 0.05, so H1 is supported, meaning that ROA has a significant impact on firm value (PBV).

The Impact of Debt Policy (DER) on company Value (PBV)

It shows that the debt policy variable (DER) has a positive regression coefficient value of 0.467 with a probability value of 0.00. This shows that the p-value is $0.00 < \alpha$ 0.05, so H2 is supported, meaning that DER has a significant impact on firm value (PBV).

The Effect of Investment Decisions (MBVA) on Firm Value (PBV)

This study shows that the investment decision variable (MBVA) has a positive regression coefficient value of 0.076, with a probability value of 0.278. This indicates that the p-value is $0.069 > \alpha$ 0.05, so that H_3 cannot be accepted, meaning that MBVA has no significant effect on firm value (PBV).

The Effect of Dividend Policy (DPR) on Firm Value (PBV)

The finding indicates that the dividend policy variable (DPR) has a positive regression coefficient value of 0.054 with a probability value of 0.044. This shows that the p-value is $0.043 < \alpha$ 0.05, so that H_4 is acceptable, indicating firm value is significantly affected by the DPR.

From table 8 above, the regression equation to determine the factors in predicting firm value (PBV) is as follows:

$$PBV_{it} = 0.406 + 0.084\ ROA_{it} + 0.467\ DER_{it} + 0.076\ MBVA_{it} + 0.054\ DPR_{it} + \varepsilon_{it}$$

Discussion

The study shows that the dependent variable firm value (PBV) of automotive companies is significantly influenced by the independent variables DER, DPR and ROA. This indicates

that the three variables ROA, DER, and DPR, can be used to estimate firm value (PBV) in automotive companies. Meanwhile, the MBVA variable does not significantly influence company value (PBV).

The Effect of Profitability on Company Value

The results showed that profitability (ROA) has has a significant effect and a positive coefficient (+)t on firm value (PBV). This positive sign indicates that an increasing form value (PBV) in automotive companies is caused by an increase in profitability (ROA). The value of the ROA regression coefficient has a positive effect of 0.084, meaning that with every 1% increase in ROA, the PBV will increase by 0.084 units, where in this case, other factors are considered constant.

Companies that have high profitability will generate an extreme positive sentiment among investors so that the stock price increases. The firm value will also increase relatively large, which is in line with the hypothesis so that H_1 is accepted. Tthis study was supported the signaling theory.

The Effect of Debt Policy on Firm Value

The results showed that debt policy (DER) has a positive coefficient (+) and has a significant effect on firm value (PBV). This positive sign indicates that any increase in debt policy (DER) will be followed by an increase in firm value (PBV) for automotive sector companies. A significant sign suggests that investors will perceive an increase in debt as showing good prospects for the company. The regression coefficient value of DER has a positive effect of 0.467, meaning that everyone time increase in DER, PBV will increase by 0.467 units where, in this case, other factors are considered constant.

Investors believe that the increase in debt shows a good prospect due to the tax-deductible effect. Companies that have liability will pay principal and interest on the loan, reducing taxable income and providing benefits to shareholders. Outsiders can also interpret an increase in debt about the company's ability to pay its obligations in the future or low business risk. So that additional debt has given a positive signal (Brigham and Houston, 2009). Outsiders can also interpret an increase in debt; it means the company's ability to pay its obligations in the future or low business risk. Additionally, extra debt has given a positive signal during the deficit for expansion as long as the results are productive and within reasonable limits. This is in line with the hypothesis so that H2 is accepted.

The Impact of Investment Decisions on Firm Value

The results showed that investment decisions (MBVA) have no significant effect and have a positive coefficient (+) on firm value (PBV). This positive sign means that every investment decision (MBVA) will be followed by an increase in firm value (PBV) in automotive companies. The regression coefficient value of MBVA has a positive effect of 0.076, meaning that everyone time increase in MBVA, PBV will increase by 0.076 units where, in this case, other factors are considered constant.

Companies that invest a lot can create positive sentiment on investors so that the company's stock price has an impact on increasing firm value but is not significant. This is not in line with the hypothesis, so that H_3 is rejected. These results do not support the signaling theory.

The Impact of Dividend Policy on Firm Value

The results explained that the dividend policy (DPR) has a significant and positive coefficient (+) on company value (PBV). This positive sign means an Increase in company value (PBV) in the automotive industry sector due to positive changes in dividend policy.

Furthermore, the regression coefficient value of the DPR has a positive impact of 0.054, meaning that with every 1% increase in the DPR, the PBV will increase by 0.054 units, wherein in this case, other factors are considered constant

In the view of investors, companies that distribute dividends are considered to have an excellent financial performance to increase the company's value.This is in line with the hypothesis so that H_4 is accepted. The results of this study support the signaling theory.

CONCLUSIONS

The purpose of this study is to assess the impact of leverage, investment decisions, dividend policy, and investment decisions on firm value of automotive sector companies. This research concludes that DER, DPR and ROA have a significant impact on PBV. In comparison, Firm value was not significantly influenced by investment decisions. Companies with high profitability and regularly distributed dividends will generate positive sentiment among investors. It will encourage investors to buy stock, and the stock price will increase. Besides, sound debt management within reasonable limits with the proper use of targets will receive a positive response from investors to increase the firm value.

Investors can utilize the results of this research as a basis for their investment decisions, especially in automotive companies. Thus, investors will get the maximum return from their investment. On the other hand, the management of automotive companies can also take advantage of this research to improve their performance through strengthening the management of solvency, dividend policy and profitability. Finally, companies must always attempt to increase their value to attract investors to invest their money in these companies. Of course, This research also has several limitations. First, the study's object is only the automotive industry sector so that it cannot be used for other industrial sectors. Second, the independent variables used are limited to profitability, debt policy, dividend policy, and investment decisions that affect the dependent variable on firm value. The latest research time limitation is only seven years, from 2010 to 2016. The addition of research objects in future research, namely by including automotive companies that have not been listed on the BEI, will produce better research results. Besides, we also recommend adding independent variables such as macroeconomic variables that are affected firm values in future research.

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