CHAPTER 1
INTRODUCTION

1.1 Background of Study

The establishment of company has purposes which are to achieve maximum profits, want to prosper the owner or shareholder and maximize the value of the company which is reflected in the stock price. Value of the Company is the market value of the company stock between the buyer and the seller when the transaction occurs, because the market value of the company's stock as a reflection of the company's actual assets (Wahyudi and Hartini on Sadiani and Darmayanti, 2016).

Development of the global economy as well as them regional economic strengthening trends, one of which is the European Economic Community, makes leaders of ASEAN countries speed up establishment of an ASEAN community called ASEAN Economic Community in 2015.

Banking sector is one aspect that can hasten to compete in facing the ASEAN Economic Community (AEC). The Bank is an institution which received permission to mobilize funds from the public in the form of savings and channeling funds to the public in the form of a loan, so the bank serves as intermediary between savers and end users.

In preparing for the new era of ASEAN Economic Community recently, where the free trade doors of ASEAN countries and ASEAN communities are competing to get their customers, Indonesian companies are required to compete with ASEAN countries in order to achieve the goals the normative aim of the company is to maximize the value of the company that has gone public the value on the company value will be reflected in the share price of the company concerned in the capital market (Sudana, 2012).
The ups and downs of stock prices in ASEAN capital markets are becoming an interesting phenomenon to be discussed at this time. The global economic crisis that occurred in 2008 resulted in a significant impact on the capital market in Indonesia and Malaysia as reflected by the decline in stock prices up to 40-60 percent from the initial position in 2008 (kompas.com, 2008). This phenomenon is caused by the action to release shares by foreign investors in need of liquidity and exacerbated by any domestic investors who also release shares in a rollicking. The condition is considered to affect the value of the company because the value of the company is reflected in the price of its shares.

Here is the phenomenon of stock prices in the developing capital market showed by the trend of movement of JCI in Indonesia Stock Exchange (IDX) and Bursa Malaysia Based on Bloomberg data, JCI closed up 0.22% thin or 9.2 points to 4,237.73 resume strengthening the day before. Meanwhile, Malaysia's FTSE KLCI rose 1.05% or 16.4 points to 1,580.37 (bursasaham.com, 2015).

In recent years, there have been cases in Indonesia related to the value of companies that local bank profits have slowed in recent years due to the country's economic slowdown, the Indonesian banking sector remains one of the most lucrative banking sectors in the world with an average 5% net profit margin (twice the average margin of Singapore and Malaysia). There is plenty of room for further growth given that banking penetration with the largest economy in Southeast Asia remains low. There are 118 active banks in Indonesia. The top 10 banks control about 60% of the country's total banking assets.

Bloomberg News agency noted that shares of the 10 smallest financial institutions listed on the Indonesia Stock Exchange have risen 38% over the past 12 months compared with a 29% decline in the value of shares of the 10 largest financial institutions listed on the IDX as investors bet on deals such a merger.

In Malaysia alone the international fund exodus problem is a dramatic reversal from the first quarter of this year as money managers accumulate at the fastest pace in Southeast Asia, pushing the stock index to an eight-month high. The
FTSE Bursa Malaysia KLCI index almost doubled from 2008 lows without surrendering to a 20 percent decline, making it the longest bull market worldwide.

After gaining 7.9 percent from this year's low in January, the stock index has fallen 6 percent from the April peak. That pushed Malaysia's stock index lagging far behind in a rally by its growing counterparts in Southeast Asia even as lower valuations have created several offers.

For this year, Malaysia's FTSE Bursa KLCI Index has dropped 3.7 percent, compared with a 4.3 percent rise in the MSCI South East Asia Index. Thailand's SET Index has gained 11 percent in 2016, Indonesia 5.3 percent, the Philippines 7.4 percent and Vietnam 6 percent. Malaysia's index fell 14 percent from its record in 2014.

The phenomenon of the trials of stocks in Indonesia and Malaysia stock exchange is influence by several factors that can affect the rise and fall of the value of the company in the banking company itself. The first factor is Leverage which is an image of a company in financing its assets using debt compared to using its own capital (Weston and Copeland, 1992 in Hidayanti, 2012). By using leverage the company can not only gain profits, but also can make the company get a loss, because the financial leverage means the company will incur risks to the shareholders so that will affect the stock return.

Profitability is also a major attraction for company owners (shareholders) because profitability is the result got through management efforts on funds invested by shareholders and profitability also reflects the division of profits into which the right is how much funds are reinvest and how much many are pay as cash dividends or stock dividends to shareholders (Jusriaini and Rahardjo, 2013).
The next factor is that the amount of dividend distributed by the firm can affect the stock price because investors prefer returns that come from dividends compared with capital gains or the investor prefers profit in the form of dividends rather than the expected profit from the increase in capital value. Bird in the hand theory states that, shareholders prefer high dividends because, they have high certainty compared to the capital gains (Hermuningsih and Dewi, 2009).

Myers (1977) in Buniarto (2011) put forward a concept of investment opportunity set (set of investment opportunities). In this concept it is said that basically IOS is a combination of assets in place (real assets that owned) that are tangible with an investment opportunity or growth option which is intangible. Both will greatly determine future funding decisions.

This research is also conducted by Mareta Nurjin Sambora, and Sri Mangesti Rahayu (2014). In his research shows the result: 1). DER, EPS, ROE, and DR variables simultaneously significant effect on the price of the company's food and beverages for the period 2009-2012, 2). DER variable partially insignificant effect on stock prices with sig value, 3). Independent variables that have a dominant influence to stock price in this research are EPS. While in research Bayu Irfandi Wijaya and I.B. Panji Sedana (2015) shows the result that; all the dependent variable (X) has a positive influence on the value of the company, in measuring the value of the company there is a new variable added that is leverage. And in research conducted by Agustin pramudyastuti show a result that this research ere 1). Leverage has a positive effect to a set off investment opportunity and company value, 2). The policy of dividend negatively affects investment opportunity sets and positively affects the firm's value. 3). Profitability positively affects investment opportunity sets and corporate value. 4). Investment opportunities have a positive effect on firm value.

This study replicates the research conducted by Agustin Pramudyastuti (2017) in this study using manufacturing companies listed on the stock exchanges of Indonesia in 2010-2014. In this study, the company used is a banking company
in Osiris database and listed on the stock exchange of Indonesia and Malaysia in 2012-2016.

Based on the written description presented before, the author wants to do research whether proven true that these factors can affect the value of the company. Thus, it can be applied in every company to maximize the value of the company; therefore the author chose the title: "The Influence of Leverage, Profitability, Dividend Policy and Investment Opportunity on Company Value (Empirical Study on Indonesia and Malaysia Banking Companies year 2012-2016).

1.2 Problem statement

Problem statement in this research is:

How to analyze the influence of Leverage, profitability, dividend policy and investment opportunity on the company value at Indonesia and Malaysia banking companies year 2012-2016.

1.3 Research Questions

Based on the descriptions described above, the authors formulate the following problem below:

1. Are there any influences of leverage on the company value?

2. Are there any influences of profitability on the company value?

3. Are there any influences of dividend policy on the company value?

4. Are there any influences of investment opportunity on company value?
1.4 Research Objectives

The purposes of this research are:
1. To analyze empirically the influence of leverage on the company value.
2. To analyze empirically the influence of profitability on the company value.
3. To analyze empirically the influence of dividend policy on the company value.
4. To analyze empirically the influence of investment opportunity on the company value.

1.5 Benefits of the research

The benefits of this research are:
1. For Companies: To find out the extent to which the leverage, profitability, dividend policy and investment opportunity as a dependent variable impact on firm value. And it is expected that the results can be considered in developing strategies to increase the value of the company so that it can be trusted by customers and citizens, and can prove to Investors that the company they invest in is a good company or not.

2. For the author: to hone knowledge and test ability in terms of mastery of the material, especially in terms of Discusses the value of the company.

3. For Further Research: This research is expected to be useful for subsequent researchers as information and reference sources.
1.6 Problem Definition

1. This study focuses on the value of companies in Osiris database and banking companies listed on the Indonesia and Malaysia Stock Exchange,

2. The financial statements used from 2012 to 2016.