The Relationship Between Leverage And The Value Of Real Estate Companies Listed

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Abstract: To determine the relationship between leverage and the value of real estate companies listed on the Indonesia Stock Exchange with mediators in the form of investments and dividends. The population used in this study was 44 real estate companies listed on the Indonesia Stock Exchange. There is one exogenous variable, namely leverage (X) and two endogenous variables, namely dividend (Y1), and firm value (Y2). The tool used as an analysis method is Generalized Structural Component Analysis (GSCA). The study finds indications that the use of leverage by companies affects the dividend policy, for cases in Indonesia. Creditors have an interest in channeling funds to the company, dividend payments will cause the transfer of welfare from creditors to shareholders of the company, is weak, because there is already an alignment of interests between the creditors and the company. The negative impact of using high leverage on the creation of the company value. High dividend payments will cause a decrease in the value of the company. The market will react negatively when a company pays dividends. The reason is that when a company pays dividends, the company is indicated not to have a profitable growth opportunity or investment in the future. Previous studies conducted tests on the interaction between leverage, investment, dividends, and company value with the results that indicate that inconsistencies are recorded in the results of research that cause gaps. The focus of this research is the real estate industry which is listed on the Indonesia Stock Exchange.

Index Terms: Leverage, Investment, Dividends, Real Estate, Indonesia Stock Exchange

1 INTRODUCTION

External funding sources used by companies in the form of debt from creditors are usually called leverage. The use of leverage has the consequence that the company is burdened by interest expense. Leverage can affect investment policies and dividend policies because it has an important role in managing the company’s finances. Usually leverage is also associated with corporate investment funding activities. Company value can also be influenced by leverage. The role of leverage attracts many parties to conduct comprehensive research. Leverage is related to the company’s finances so that it has the advantage of being able to help financial activities, both for funding activities and investment activities. Leverage can also affect financial policy, namely funding policy, investment policy, and dividend policy. Besides being useful in helping companies related to corporate financial operations, leverage is also a mechanism for companies to be able to create good corporate values that have better value or even vice versa. Miller and Modigliani (1961) revealed that companies that use leverage will be able to reduce corporate tax payments, thereby increasing company value. Ross (1977) also revealed that the business prospects for companies that use leverage will be easily trusted because they have a good future in the effort to increase the company’s values. Because leverage is important for companies, this study is interested in examining the relationship of leverage to investment policy, dividend policy, and corporate value creation. In addition to knowing this relationship, it is also important to know the role of leverage that is important to play will be explained by several opinions. First, leverage has an important role in investment activities. Several alternatives are available to fund investment, namely: a) retained earnings, b) leverage, and c) issued shares. Myers (1984) states that the sequence of funding structures within a company consists of retained earnings in the first place, then followed by the use of leverage, and the last alternative is the issued shares; this came to be known as pecking order theory. The premise of Myers (1984) is that the source of funding that has the lowest capital cost is retained earnings, so this is the first. Based on the pecking order theory, this is a condition when funding from retained earnings does not meet investment funding requirements, the alternative funding source used is leverage. Companies can use funds from the issuance of company shares if the use of leverage is considered high. In general, companies tend to use high amounts of leverage, and this shows that leverage is a favorite source of funding for companies. Second, the use of corporate leverage also affects investment policies and dividend decisions. In general, leverage is used by companies as a funding mechanism for corporate investment activities. The company uses leverage when experiencing shortages of funds from retained earnings. The greater the lack of funds for corporate investment, the higher the amount of leverage used. When referring to the pecking order theory (Myers, 1984), new companies will use leverage because the company experiences a lack of investment funds. The use of leverage is also motivated to (a) supervise the actions of creditors to company managers (Easterbrook, 1984; Jensen, 1986), and (b) transfer risk from company shareholders to creditors (Kalay, 1982). On the other hand, the use of leverage by companies can also affect dividend policy. The higher the use of leverage by companies as a source of funding, the more limited the dividend policy. Based on debt agreement theory (Kalay, 1982), companies that use a high amount of leverage are those who tend to pay small dividends or not even pay dividends. This is done by creditors to prevent the motives of shareholders to transfer welfare from creditors to shareholders.

2 LITERATURE REVIEW

2.1 The Effect of Leverage on Dividends

Theoretically, there are several thoughts that explain the effect of leverage on dividends, one of which is by Kalay (1982) revealing the motive that creditors get risk transfers from companies and the motives that companies get welfare from creditors. This encourages companies to give creditors the limits on dividend policy. The level of welfare of shareholders comes from dividend payments. Welfare will increase if the dividend payment has a high value. Therefore, shareholders tend to encourage company managers to pay corporate dividends using leverage. The interaction between company managers and company shareholders regarding dividend payments then raises new problems, namely agency problems, between company shareholders and creditors. If the company does not pay dividends, then shareholders will not
get their welfare, and this is not desired by shareholders. In addition to dividends, according to Kalay (1982), company shareholders can use two mechanisms to maximize their welfare level, by encouraging managers to (a) reduce corporate investment funding or sell company assets with the aim that the company can pay dividends, and (b) use leverage to pay dividend to shareholders. These two options, which are in accordance with the two motives aforementioned, have prompted creditors to limit the dividend policy; this becomes the second option. The condition leads to new problems, i.e. the occurrence of differences in interests or agency problems between the company and creditors. To prevent this, creditors will limit the dividend policy, in which creditors will ask companies to reduce payment of dividends or even not pay dividends if they use leverage. Al Taleb (2012) has found indications that companies that use high leverage will tend to pay high amounts of dividends. In general, companies that use leverage have two objectives, (a) to obtain funding sources, and (b) to fund investments with the aim of obtaining future profits. Related to the problem of lack of funding sources, the use of leverage is a response to cover the funding shortfall. Theoretically, the amount of use of leverage is in accordance with the amount of funding shortages to fund investment. However, the question is whether leverage is only used to fund investment. Another aspect needs to be taken into account in order to analyze the use of leverage, i.e. the operational needs of the company associated with the new investment. Related to this, new problems arise on how much leverage can be used to fund investments and cover operational costs: it is a problem of estimation, (a) under-estimates leverage, and (b) over-estimates leverage (Higgins, 1972). Ideally, the amount of leverage used must be in accordance with the need to fund investments and cover operational costs.

2.2 The Effect of Leverage on the Company Value

There are arguments about the effect of leverage on firm value. First, Ross (1977) revealed that the information conveyed had credibility, and then company managers could use leverage, to see the quality of a company can be seen from the use of high leverage by the company. Assumptions that underlie this thinking, among others, are that company managers have better information about the future and the good of the company and company managers will get performance compensation, where shareholders know about compensation provisions. Company managers by making performance compensation incentives to increase company value. The higher the value of the company, the higher the level of welfare (compensation) that will be received by the company manager, and vice versa, if the value of the company is low, the company manager will be "penalized" in accordance with the compensation agreement. Company managers try to increase the value of the company by conveying information about the future and the good of the company to the market. The information must have high credibility. The mechanism that can be used by companies so that the information conveyed can be trusted is to use a high amount of leverage. Shareholders tend to prefer companies with high leverage because the use of high leverage is considered a credible signal about future prospects. Two thoughts exist about the role of leverage that companies use to create company profitability in the following year. The first is considering the use of high leverage to increase the profitability of the company. In contrast to the first thought, the second thought considers the use of high leverage to reduce the profitability of the company. The basis of this argumentation is the consequence of financial constraints because of using leverage; the higher the use of leverage by the company, the higher the financial constraints faced by the company. The forms of financial constraints carried out by creditors include (a) creditors will limit the use of high company free cash flow to fund investments that do not have a negative NPV, with the aim of avoiding over-investment problems and (b) creditors will also limit the use of funds used by companies to fund investments that are considered by creditors to have a high risk. The theory from Aivazian, et al. (2005) reveals creditors tend not to fund company investments in companies that have used high amounts of leverage and have no growth opportunities. Based on this argument, the approval of the use of leverage from creditors to fund corporate investment opportunities is considered good news by the Stock Exchange, so the Stock Exchange will react positively to the company's stock price. The Stock Exchange will see investment opportunities funded by companies through leverage that have been assessed as having high and profitable growth opportunities in the future. It has been explained previously that the high use of leverage to fund corporate investment would have a positive impact on the company value, but on the other hand, the use of high leverage also has an impact on increasing the company value. Empirically, this argument is reinforced by research from Chen, et al. (2008) who have found indications that companies with low risk tend to have high company value. The conclusion that can be drawn from Myers (1984) is that the use of leverage at a certain level will be able to increase the company value, and conversely the use of excessive leverage can reduce the company value.

2.3 The Effect of Dividends on the Company Value

The argument that dividends play a role in the creation of company value is based on several theories, namely the bird-in-the-hand theory, dividend signaling theory, and clientele effect. The idea of the bird-in-the-hand theory reveals that investors tend to avoid uncertainty to get a return. This condition has caused investors to tend to prefer dividends compared to capital gains, because returns from dividends are considered to have a relatively lower risk than capital gains. In subsequent developments, the dividend signaling theory has developed (Bhattacharya, 1979). The thought of Bhattacharya (1979) reveals dividend payments to shareholders is a signal about the company’s prospects in the future. The higher the dividend paid to shareholders, the better the company’s prospects will be in the future. Empirically, this argument is reinforced by research by Venkatesh (1989), confirming that indications of corporate dividend announcements would be able to replace earnings announcements to provide information about prospects in the future. The consequence of this thinking is if the company announces dividend payments or increases dividend payments, then the market will react positively. Conversely, if the company announces a decrease in dividend payments or even the company does not pay dividends, it will get negative reactions by the market. Other studies that support Bhattacharya (1979) include Aharony and Dotan (1994), Kao and Wu (1994), and Nissim and Ziv (2001) who find indications that dividend changes can predict profits in the future. Baker, et al., (2007) and Baker, et al., (2008) have also found indications that one of the factors considered by managers in influencing corporate dividend payments is the
expected level of profit in the future. The other thought is the clientele effect, which reveals companies pay dividends to company shareholders because of the willingness of the shareholders to obtain dividends. The preference of certain shareholders on dividends indicates a demand for company dividends. If the company does not want to meet the preferences of some of these investors, the company does not maximize its value. Other arguments that support dividends as having an important role in the creation of the company value are as follows:

1. Companies that pay high dividends are large companies (empirically, reinforced by research by Gedajlovic, et al., 2005; Deshmukh, et al., 2005; DeAngelo et al., 2006; Renneboog and Trojanowski, 2007; Denis and Osobov, 2008; Chen, et al., 2009), and large companies are companies that have high company value (empirically, reinforced by research by Fich and Shivdasani, 2006; Luo and Hachiya, 2005).

2. Companies that pay high amounts of dividends are risk companies (empirically, reinforced by research by Manos, 2001; Bulan et al., 2007; Pattenden and Twite, 2008), and companies that have low risk is a company that has high company value (empirically, reinforced by research by Chen et al., 2008).

3. Companies that pay high dividends are companies that use high leverage (empirically, reinforced by research by Adedeji, 1998; Dutta, 1999; Renneboog and Trojanowski, 2007). Companies that use high leverage are companies that have high corporate value (empirically, reinforced by research by Byun, Kim, and Shin, 2007; Chen et al., 2008; Ehie and Olibe, 2010, who find evidence of leverage having a positive effect against the company value).

Based on the description of theoretical explanations and previous research findings, the following hypotheses can be formulated:

1. Leverage affects the dividends of real estate companies.
2. Leverage affects the value of real estate companies.
3. Dividends affect the value of real estate companies.

### 3 Method

This research is an explanatory research. Explanatory research is carried out with a view to explaining the effect of exogenous variables on endogenous variables through hypothesis testing. The population in this study are all real estate companies listed on the Indonesia Stock Exchange with a total population of 44 companies. The Indonesia Stock Exchange is a party that regulates and provides a system and means to unite the sale and purchase offers of other parties for the purpose of trading securities between them. This study uses three variables, consisting of one exogenous variable and two endogenous variables. Variables categorized in exogenous variables are leverage (X) and endogenous variables (Y) are dividends (Y1) and company values (Y2). The analytical tool used is Generalized Structural Component Analysis (GSCA).

### 4 Research Result

Evaluation of the measurement model is intended to test whether an indicator in measuring measures the latent variables or not. Evaluation of measurement models with formative indicators is done by looking at the probability value on the outer weight (weighting the measurement model). The testing criteria state that if an indicator has a Critical ratio (CR) with an asterisk (CR ≥ t-table at 2.00, alpha at 5%) then the indicator is declared valid is used to measure (form) the latent variable. The following is a summary of the results of testing the validity of the formative measurement model.

| Variable | Indicator | Weight | S.E. | CR |
|----------|-----------|--------|-----|----|
| Leverage | DAR       | 0.2    | 0.063 | 3.75* |
|          | DER       | 0.5    | 0.046 | 11.39* |
|          | LTD       | 0.3    | 0.042 | 9.19* |
| Dividend | Div/TA    | 0.2    | 0.050 | 5.20* |
|          | DPR       | 0.3    | 0.047 | 6.98* |
|          | DY        | 0.1    | 0.042 | 4.51* |
| Company Value | SR     | 0.4    | 0.062 | 7.73* |
|            | MB       | 0.4    | 0.056 | 8.63* |
|            | VE       | 0.4    | 0.056 | 8.63* |
|            | Tobin's Q| 0.2    | 0.061 | 3.90* |

Leverage has three indicators that. Seen from weight estimate, as it is formative, then the DER indicator reflects or describes leverage best with a value of weight estimate of 0.524. The weight of Total Debt to Total Assets Ratio (DAR) to the leverage variable at 0.236 indicates that the Total Debt to Total Assets Ratio (DAR) indicator forms a leverage variable positively and significantly. This means that the increase in the Total Debt to Total Assets Ratio (DAR) indicator tends to increase leverage. The weight of the Debt to Equity Ratio (DER) to the leverage variable is 0.524 indicating that the indicator forms a leverage variable positively and significantly. This means that the increase in the Debt to Equity Ratio (DER) indicator tends to increase leverage. The Long-Term Indicator Weight of Debt to Total Assets (LTDTA) to the leverage variable is 0.386 indicating that the Long-Term indicator Debt to Total Assets (LTDTA) forms the leverage variable positively and significantly. This means that the increase in Long-Term indicators Debt to Total Assets (LTDTA) tends to increase leverage. Dividend has three indicators. Seen from weight estimate, as it is formative, then the DPR indicator reflects or describes the dividend variable most with a value of weight estimate is 0.326. The weight of Dividend to Total Assets (Div/TA) on the dividend variable is 0.259 indicating that the Dividend to total Asset (Div/TA) forms the dividend variable positively and significantly. This means that the increase in Dividend to total Asset (Div/TA) indicators tend to increase dividends. The weight of the Dividend Payout Ratio (DPR) indicator on the dividend variable is 0.326 indicating that the Dividend Payout Ratio (DPR) indicator forms the dividend variable positively and significantly. This means that increasing Dividend Payout Ratio (DPR) indicators tend to increase dividends. The weight of the Dividend Yield (DY) on the dividend variable is 0.190 indicating that the Dividend Yield (DY) indicator forms the dividend variable positively and significantly. This means that the increase in Dividend Yield (DY) indicators tend to increase dividends. Company value has three indicators. Seen from weight
estimate, as it is formative, then the MBVE indicator reflects or describes the company value most with a value of 0.484. The weight of the Stock Returns (SR) indicator for the company is 0.479 indicating that the Stock Returns (SR) indicator forms the company value positively and significantly. This means that the increase in the Stock Returns (SR) indicator tends to increase the value of the company. The weight of the Market Book to Equity Ratio (MBVE) to the company value is 0.484 indicating that the Market Book indicator Value to Equity Ratio (MBVE) the company value positively and significantly. This means that the increase in Market Book indicators of Value to Equity Ratio (MBVE) tends to increase the value of the company. The Tobin’s Q weight for the company value variable is 0.238 indicating that the Tobin’s Q indicator forms the company value positively and significantly. This means that the increase in the Tobin’s Q indicator tends to increase the value of the company. Goodness of fit model is used to determine the ability of exogenous variables to explain the diversity of endogenous variables, or in other words to know the contribution of the overall GSCA model to endogenous variables. The goodness of fit model index in the GSCA analysis with the formative indicator model is Fit and A Fit. The fit value is 0.639; this can indicate that leverage, investment, and dividend contributes 63.9% to the diversity of company value in Indonesia, while the remaining 36.1% is explained by other variables not discussed in this study. Testing the hypothesis of direct influence is intended to test whether there is a direct influence of exogenous variables by endogenous variables. Hypothesis testing can be shown by the value of the critical ratio (CR). The testing criteria state that if the critical ratio value gets an asterisk (CR ≥ t-table at 2.00), then there is a significant effect of exogenous variables on endogenous variables. The hypothesis testing on the direct effect of exogenous variables on endogenous variables is presented in Table 2.

Table 2 Hypothesis Testing – Real Estate Companies in Indonesia

| Exogenous | Endogenous | Path Coefficient | SE | CR |
|-----------|------------|------------------|----|----|
| Leverage | Dividend   | 0.529            | 0.02 | 19.59* |
| Leverage | Company Value | -0.555       | 0.24  | 2.26* |
| Investment | Company Value | 0.03            | 0.15  | 0.19  |
| Dividend | Company Value | -0.351         | 0.17  | 2.01* |

Note: * Significant, (Level of Significance (Alpha) = 5%)
Source: Research data analyzed (Appendix 8)

1. The effect of leverage on dividends results in the value of the critical ratio (CR) of 19.59*. The value of the critical ratio is marked with an asterisk (CR ≥ t-table at 2.00); it can be interpreted that there is a significant effect of leverage on dividends.

2. The effect of leverage on the company value results in the value of the critical ratio (CR) of 2.26*. The value of the critical ratio is marked with an asterisk (CR ≥ t-table at 2.00); it can be interpreted that there is a significant effect of leverage on the company value.

3. The effect of investment on the company value results in the value of the critical ratio (CR) of 0.19. The value of the critical ratio is not marked with an asterisk (CR < t-table at 2.00); it can be interpreted that there is no significant effect of investment on firm value.

The effect of dividends on the company value results in the value of the critical ratio (CR) of 2.01*. The value of the critical ratio is marked with an asterisk (CR ≥ t-table at 2.00); it can be interpreted that there is a significant effect of dividends on the company.

4.1 The Effect of Leverage on Dividends

The First hypothesis (H1) is leverage affects dividends. The results of the analysis show that leverage has a significant positive effect on dividends. The results of this study support other studies in the context of Indonesia. The results of this study do not support the debt covenant theory (Kalay, 1982). Empirically, the results of this study support the research of Al Taleb (2012). These results also do not support research by Kazmierska-Jóźwiak (2015), Esqueda (2016), Arko, et al., (2014), Holmen, et al., (2008), Al-Malkawi (2007), Aivazian, et al., (2003), Chen, Jian, and Xu (2009), Al-Kuwarri (2009), Al-Malkawi (2008), Garay and Gonzalez (2008), Pattenden and Twite (2008), and Agrawal and Jayaraman (1994). The study finds indications that the use of leverage by companies affects the dividend policy, for cases in Indonesia. Creditors will limit company dividend payments for reasons to prevent the motivation of company shareholders to (a) transfer risk from shareholders to creditors, and (b) transfer of welfare from shareholders to company (Kalay, 1982). Based on the results of this study, it can be seen creditors do not limit the dividend policy. The opinion of Kalay (1982), regarding the dividend policy that the payment of dividends will cause the transfer of welfare from creditors to shareholders, is not proven. There are three possibilities for this. First, creditors have an interest in channeling funds to the company. From the creditors’ point of view, the distribution of funds to the company can be considered as a business for future returns because of the interest that will be obtained in the future. Based on this analysis, a higher bargaining position will be with the company. The basis of this argument is that every creditor (in this case, banks) always has a target to get an increase in customers (debtors) from time to time. On the other hand, creditors (in this case, banks) also face competition from fellow creditors (in this case banks). These two reasons underlie why creditors will find it difficult to limit the dividend policy, if the company uses leverage from a creditor. The risk that will be borne by the creditor, if the creditor restricts the dividend policy (in accordance with the debt covenant theory by Kalay, 1982), is to lose the prospective debtors. The company will be allowed to reject the limitation of the dividend policy proposed by creditors and will choose other creditors. Based on this analysis, the conclusion from Kalay (1982), that the payment of dividends will cause the transfer of welfare from creditors to shareholders of the company, is weak and not proven in Indonesia. Second, the argument from Kalay (1982), that dividend payments will cause the transfer of welfare from creditors to shareholders of the company, is weak, because there is already an alignment of interests between the creditors and the company. When the two parties agree on the use of leverage by the company, there is an alignment of interests between the two. The use of leverage and its terms has been agreed from the beginning by both parties. It is very unlikely that the creditors and company will break the agreement. Based on this analysis, since the beginning, the creditors have realized that there is an investment return to
shareholders (in the form of dividends) higher than the investment return from creditors (in the form of interest). Another reason that might explain is that companies do not pay dividends at all accounting periods. Based on the accumulated calculations during the period of using leverage, then investment returns from creditors (in the form of interest) may be higher than the investment return to shareholders (in the form of dividends). This second argument also weakens the theory of Kalay (1982) that the company will limit dividend payments because it prevents the motive of transferring welfare from creditors to shareholders.

4.2 The Effect of Leverage on the Company Value
The Second hypothesis (H2) is leverage affects the value of the company. The results of the analysis find evidence of leverage having a significant negative effect on the company value. The results of this study do not support leverage signaling theory (Ross, 1977). Empirically, the results of this study support research by Konijn, et al., (2011), Chen, et al., (2006), Ammann, et al., (2011), Benson and Davidson (2009), Ghosh (2007), Fukui and Ushijima (2007), Villalonga and Amit (2006), Chen, Guo, and Mande (2003), López-Iturriaga and Rodriguez-Sanz (2001), and Chen, Hexter, and Hu (1993). The results of this study also do not support research by Al-Najjar (2016), Chen, et al., (2008), Ehie and Olibe (2010), Byun, et al., (2007), Connelly, et al., (2012), Garay and González (2008), Amidu (2007), Kalccheva and Lins (2007), Chen and Ho (2000), Black and Kim (2012), and Henry (2009).

The results of this study have several meanings, as follows:
1. The results of this study do not support the signaling theory from Ross (1977), which reveals leverage can be used as a mechanism to increase the company value. It is indicated that real estate companies in Indonesia are unable to convey information about company prospects with high leverage.
2. Based on the results of this study, other meanings can explain the negative impact of using high leverage on the creation of the company value. The first argument, along with the use of high leverage in real estate companies in Indonesia, is that the real estate companies have been unable to keep up with its financial performance. The use of high leverage and poor company performance will have a negative impact on the value of the company. Companies that use high leverage will bear a high interest cost and a high risk of bankruptcy. The high risk of bankruptcy of a company will also have a negative impact on the value of the company. The second argument is that the results of this study indicate that real estate companies in Indonesia are not able to utilize tax protection because of the maximum use of leverage. This is because the benefits obtained by tax protection due to the use of leverage are not worth the risk of bankruptcy that the company is responsible for. This condition is as explained in the trade-off theory (Myers, 1984), which reveals the use of leverage at a certain level will be able to increase the value of the company, and conversely the use of excessive leverage can reduce the value of the company.
3. Easterbrook (1984) and Jensen (1986) have revealed that the use of leverage by companies will lead to leverage (through creditors) to act as a mechanism to control and supervise the actions of company managers. Both of these thoughts try to explain the mechanism to reduce the agency cost that must be borne by shareholders (as principals), by delegating supervision to company managers to creditors. The motivation will make shareholders to encourage company managers to use leverage in funding the investment activities. The results of this study show that creditors are able to limit the funding of corporate investment or overcome over-investment problems for real estate companies in Indonesia (Jensen, 1986). In accordance with Jensen (1986), over-investment problems occur because companies have excessive free cash flow; and to overcome this agency problem, it is better for company managers to distribute the free cash flow to shareholders in the form of dividends. The findings of this study that companies that use high leverage in Indonesia are companies that tend to pay high amounts of dividends. This indicates that shareholders encourage company managers to pay dividends; on the other hand, shareholders also encourage companies to use leverage when companies experience a lack of funding for corporate investment activities. If the creditor allows this to happen, then the level of the company’s financial health becomes uncontrolled, which will later have an impact on the company’s ability to pay its obligations. The results of this study show that leverage have a significant positive effect on dividends, a finding that is not supportive with Kalay (1982). Related to the agency problem, the findings of this study will provide new knowledge to the theory based on the agent and principal relationships. The contribution of research results to agency theory will be explained in the section on the contribution of research results to business finance theory.
4. The results of this study also find indications that companies that use high leverage in Indonesia will lead to limited funding of corporate investment activities. Company investment is a generator that can create and increase the profitability of a company. The low investment funding may lead the company to have trouble in creating and increasing the profitability. Companies that experience this condition will tend to find it difficult to survive and to provide investment returns (dividends) to their shareholders, so that it will ultimately have a negative effect on the value of the company. There is another argument why creditors tend to limit the funding of corporate investment activities. This refers to the theory of Alivazian, et al., (2005), which reveals creditors tend not to fund company investments in companies that have used high amounts of leverage and have no growth opportunities. Creditors will analyze the investment proposal submitted by the company. When creditors know that the company has used high leverage and does not have a decent growth opportunity, creditors will tend to refuse to investment funding. This information can then be used as a reference by the capital market, so companies that use high leverage and have no chance of growth will get negative reaction by the capital market.

4.3 The Effect of Dividends on the Company Value
The third hypothesis (H3) is dividends affect the value of the company. The results of the analysis found dividend evidence
had a significant negative effect on the company value. The results of this study do not support the dividend signaling theory (Bhattacharya, 1979). Empirically, the results of this study support research by Henry (2009), Chen, et al., (2003) and Stevens and Jose (1992). The results of this study do not support research by Jiang and Stark (2013), Hughes (2008), Amidu (2007), Villalonga and Amit (2006), Chen and Ho (2000), and Kalcheva and Lins (2007). The results of this study indicate that high dividend payments will cause a decrease in the value of the company. There are several arguments that can explain this. First, the market considers that at present the condition of the company has the opportunity to grow, so the company should focus on funding investment activities. In addition, also, with intense competition in the real estate sector, companies to be able to survive in the industry must have product innovations. The dividend payments are considered inappropriate by the market. The consequence of dividend payments is that companies will use high amounts of leverage. This is reinforced by the results of this study finding an indication of the use of high leverage will cause an increase in dividend payments. The second argument, the market will react negatively when a company pays dividends. The reason is that when a company pays dividends, the company is indicated not to have a profitable growth opportunity or investment in the future. When referring to the free cash flow theory (Jensen, 1986), to avoid agency problems caused by the use of free cash flow owned by the company to fund investment that do not have a positive NPV (over-investment), the company managers must distribute the free cash flow in the form of dividends. There is a negative reaction with dividend payments, so this does not support the dividend signaling theory (Bhattacharya, 1979). Previously explained, Bhattacharya (1979) revealed dividend payments to shareholders is a signal about the company’s prospects in the future; the higher the dividend payment to shareholders, the better the company’s prospects will be in the future.

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