

## The Effect Of Return On Equity, Return On Asset and Divident Policy On Company Value (Empirical Study On Pharmaceutical Sector Companies Registered In Indonesia Stock Exchange 2015-2019)

Anteng Gustiana Dewi<sup>1)</sup>, Masno Marjohan<sup>2)</sup>, Eka Safrudin<sup>3)</sup>, Eris Martini<sup>4)</sup>, Evin Davinci Sagala<sup>5)</sup>, Thari April Lian Dini<sup>6)</sup>.

*Program Pascasarjana Magister Manajemen Universitas Pamulang-Indonesia*

*Email: Antenggustiana@gmail.com*

**Abstract:** This study aims to analyze the effect of return on equity (ROE), return on asset (ROA), and dividend policy on firm value. The object in this study is a company listed on the IDX in the 2015-2019 period. The sample was taken using purposive sampling method. The research data were analyzed using multiple linear regression analysis. The result showed three important findings; (1) return on equity (ROE) has a positive and significant effect on firm value, (2) return on asset (ROA) has no effect on firm value, and (3) dividend policy has no effect on firm value.

**Keywords;** return on equity (ROE), return on assets (ROA), dividend policy, firm value.

### INTRODUCTION

The capital market plays an important role in Indonesia's economic activities. Products in the capital market include stocks; bonds and sukuk. One of the stock capital market products is an investment instrument for individuals and companies to invest in the short to long term. The listing place of stock trading in Indonesia is the Indonesia Stock Exchange (BEI).

Stock Exchange is the party that organizes and provides a system and / or means of matching the buying and selling offers of other parties for the purpose of trading Securities. On the IDX, the organizers of large companies to go public companies. So that companies that have been listed as going public can release their business capital in the form of shares. Of the shares that are traded by the go public company, it must be open to show its annual report to stakeholders to measure the company's performance.

Financial management of publicly traded companies plays an important role in company performance, namely corporate value. Firm value is a condition that describes the achievement of a company during the process of running a business. The increase in company value is seen as an achievement that reflects the increase in prosperity for shareholders. The prosperity of shareholders can be reflected in the profits obtained from per share invested. High corporate value is the desire of shareholders. Firm value is represented by the market value of the shares. This means that the high market value of shares reflects the high value of the company, and vice versa (Puspitaningtyas, 2017).

Price of Book Value (PBV) is an important indicator of firm value. PBV compares the book value price to the closing price of shares. So the PBV is to see how much the book value of the shares is at the closing stock price.

The supporting factor of firm value is profitability. Profitability measures the company's profits in its business activities. From profitability, investors are shown the management of company profits on assets, capital and sales. As for how to measure the first profitability, Return on Equity (ROE) where business profits are compared to company capital. Second, Return on Assets (ROA), where the business profit is compared to all company assets.

After the profitability factor, firm value can be associated with dividends. Dividends can be used to measure the profit earned from stocks. In line with company profits, dividends will follow the increase. So the need for a dividend policy to see the management of the company's stock earnings. Dividend Payout Ratio (DPR) determines the existence of dividends per share.

Go public companies that can distribute dividends each year can convince investors to invest. Dividend is a return for selling shares traded on the capital market within a year. Thus, dividends from companies affect investors in investment decisions.

Jakarta Stock Industrial Classification (JASICA) divides publicly traded companies into several industrial sectors. Consists of: agriculture; mining; basic and chemical industry; various industries; consumer goods industry; property, real estate and building construction; infrastructure, utilities and transportation; finance; trade, services and investment; manufacture. The industrial sector makes it easier for investors to see stock price movements and create stock portfolios.

At the end of 2019 and early 2020, the world was shaken by the outbreak of the Corona virus. This has had a negative impact on industrial growth with the fall in global share values. However, this condition provides fresh air in the pharmaceutical sector industry in an effort to find a vaccine for the virus that has become a pandemic. Therefore, the pharmaceutical sector is the main target for investors in reading profit opportunities in addition to the increasingly stretching Islamic banking sector.

According to the Ministry of Industry, in the fourth quarter of 2019, the chemical, pharmaceutical and traditional medicine industries were able to grow 18.57% or a drastic increase compared to the growth in the third quarter of 2019 which touched 9.47%. This achievement also surpassed the economic growth of 4.97% in the fourth quarter of 2019 and the growth was double compared to 2018.

Meanwhile, the GDP value of the chemical, pharmaceutical and traditional medicine industries in the fourth quarter of 2019 reached IDR 22.26 trillion, an increase compared to the third quarter of 2019 of IDR 20.46 trillion. Next, throughout 2019, the export value of pharmaceutical industrial products and traditional medicines reached up to USD597.7 million, an increase compared to the acquisition in the previous year of around USD580.1 million. This means, from these achievements, the pharmaceutical industry is one of the sectors that has had a brilliant performance and has made a significant contribution to the national economy.

## LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

### The Value of the Company

According to (Husnan, 2008), company value is the price paid by prospective buyers if the company is sold. According to (Harmono, 2009), company value is the company's performance as reflected by the stock price which is formed by the supply and demand in the capital market which reflects people's assessment of the company's performance. Firm Value can be measured by the Price to Book Value (PBV) variable.

Price to book value (Price to Book Value / PBV)

Brigham and Houston (2011) state that price to book value (PBV) is a financial ratio that compares the share price to the book value per share. According to (Tandelilin, 2017) PBV is calculated as the ratio of price to shareholder equity. PBV explains the valuation of the price per share compared to the book value per share. The greater the PBV value, the more expensive the price per share, and vice versa (Sukamulja, 2017). PBV is a market ratio used to measure the performance of the stock market price against its book value. The following is the PBV calculation formula (Rokhmawati, 2016).

$$PBV = \frac{\text{Book Value}}{\text{Earnings per Share}}$$

### Profitability

Brigham (2010) states that profitability is the final result of company management performance, both in decision making and policies carried out by the management concerned with the use of funds to run the company and corporate funding sources so that it is summarized in one report,

namely the balance sheet. Profitability is the company's ability to generate profits (profitability) at the level of sales, assets and share capital of the company (Hanafi, 2014). According to (Hanafi and Halim, 2016) Profitability Ratio is a description of the company's ability to generate profits. The profitability ratio provides an understanding to its users regarding how well the company can utilize existing resources to generate profits and increase the welfare of its shareholders. The higher the profitability ratio, the better a company runs its operations, the better the company's name is in the eyes of investors (Zulfikar, 2016).

Profitability ratios consist of Return On Assets (ROA), Return On Equity (ROE), Net Profit Margin (NPM), Gross Profit Margin (GPM). Profitability can be measured by several variables, namely Return On Equity (ROE) and Return On Assets (ROA).

### The effect of Return On Equity (ROE) on firm value

In general, OE means the probability ratio to measure the ability of a company to generate returns from investments made by shareholders in the company. Simply put, ROE is the result of a comparison between a company's net profit after tax (earnings after tax) and the total capital it owns. ROE is used to measure the ability of a company to generate net income after tax in utilizing its capital. The higher the ROE value, the better the financial performance in managing business capital in generating net profit after tax. So that the ability of a good company to generate profits will also increase the value of the company. Supported by the results of research conducted by Ayu. D, et al. (2017), Puspitaningtyas (2017) and Nopiyanti & Darmayanti (2016), who say that Return On Equity (ROE) has a positive and significant effect on company value. The calculation formula is;

$$ROE = \frac{\text{Net Profit After Tax}}{\text{Equity}}$$

So that from the above explanation, the following hypothesis can be obtained:

H1: Return On Equity (ROE) affects firm value.

### The effect of Return On Assets (ROA) on firm value

According to (Tandelilin, 2017) ROA, which describes the extent to which the company's assets can generate profits. According to (Zulfikar, 2016) ROA provides an overview of how well management is managing all assets to be converted into the company. ROA measures the company's ability to generate net income from sales activities (Sukamulja, 2017). The formula for calculating ROA is as follows (Rokhmawati, 2016). The higher the ROA value, the better the company's ability to generate profits from asset management. This means that the company's financial performance is effective and efficient, so that it attracts investors to invest and raises stock prices and has an impact on increasing company value. This is supported by the results of research conducted by Haunteas1. O.S, et al. (2019), F. Sulistiyo (2019), Kusumawati & Rosady (2018), G.A. Sri Oktaryani & Mannan, S.S.A (2018), and Pratama & Wiksuana (2016), which state that Return On Asset (ROA) has a positive and significant effect on firm value. The ROA calculation formula is as follows:

$$ROA = \frac{\text{Laba BeNet Profit}}{\text{Total Asset}}$$

So that from the above explanation, the following hypothesis can be obtained:

H2: Return on assets (ROA) affects firm value.

### The effect of dividend policy on firm value

According to Situmorang (2008), dividends are the distribution of the company's net income which is distributed to shareholders with the approval of the General Meeting of Shareholders (GMS). Rudianto (2009) states that dividends are part of the profits obtained by the company and given by the company to shareholders as a reward for their willingness to invest their assets in the company. (Rokhmawati, 2016) Dividend policy is a decision related to how much profit from the company's operations will be distributed to shareholders.

According to Van Horne and Machowicz (2012), several factors that influence the company's dividend policy include: (1) legal regulations; relating to a decrease in the value of capital, insolvency (bankruptcy), and retention of profits; (2) Company funding needs; (3) Liquidity; (4) Ability to borrow; (5) Limitations in debt contracts; (6) Control. The variable that can measure dividend policy is the Dividend Payout Ratio (DPR).

Tandelilin (2017) states that the DPR is a comparison between the dividends paid by the company and the income that the company receives. Dividend Payout Ratio (DPR) shows what percentage of the company's profit is paid to investors or shareholders in the form of dividends (Harlianto, 2017). The greater the dividend payout ratio, the greater the amount of profit earned and distributed to investors or shareholders, this condition indicates a healthy company's financial position. A healthy financial position and financial performance can be an indicator to increase company value. This is supported by the results of research conducted by Haunteas1, OS, et al. (2019), which states that dividend policy has an effect on firm value even though it is not significant, as well as research

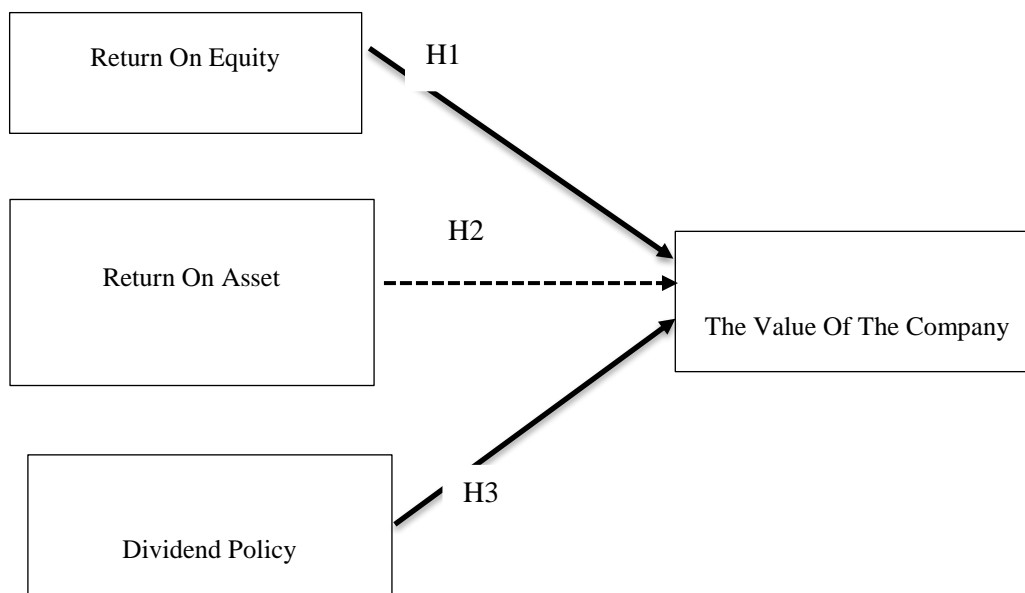
conducted by Putra & Lestari (2016), which states that dividend policy has a positive effect. and significant to firm value. The dividend payout ratio calculation formula is (Tandelilin, 2017):

$$DPR = \frac{\text{Dividend per share}}{\text{Earnings per Share}}$$

So that from the above explanation, the following hypothesis can be obtained:

H3: Dividend policy affects firm value.

Based on the development of the above hypothesis, this research model can be described in Figure 1 below.



## METHOD

The population in this study were all pharmaceutical sector companies listed on the Indonesia Stock Exchange for the period 2015-2019. The sampling technique was purposive sampling, namely determining the sample based on certain criteria. (Radjab, E & Jam'an, A: 2017). The sample of this research is a consecutive company registered from 2015-2019 and provides the information needed in this study. The number of companies that meet these criteria is 7 companies with 35 observations. The sampling procedure can be seen in Table 1 below.

Table 1 Determination of Research Samples

No.	Information	Amount
1	Listed pharmaceutical industry sector companies registered until 2019 on the IDX.	11
2	Pharmaceutical industrial sector companies that were newly registered on the IDX (Initial Public Offering / IPO) in 2015-2019.	(1)
3	Companies in the consumer goods industry sector that present the required data incompletely related to the variables studied.	(2)
<b>Total Company</b>		<b>7</b>

Companies in the consumer goods industry sector that provide incomplete data. Based on the criteria in the determination of the research sample, 7 companies that meet the criteria have been determined and become the samples in this study. And below is a list of companies sampled in this study are as follows: what is needed in relation to the variables studied.

Table 2 List of Companies

NO.	Stock Code	NAME
1	DVLA	Darya-Varia Laboratoria Tbk. [S]
2	KAEF	Kimia Farma Tbk. [S]

3	KLBF	Kalbe Farma Tbk. [S]
4	MERK	Merck Tbk. [S]
5	PYFA	Pyridam Farma Tbk. [S]
6	SIDO	Industri Jamu dan Farmasi Sido Muncul Tbk. [S]
7	TSPC	Tempo Scan Pacific Tbk. [S]

Source: Indonesia Stock Exchange, 2021.

### Variables and Measurements

The variables in this study consisted of the dependent variable and the independent variable. The independent variables in this study are return on equity (ROE), return on assets (ROA), and dividend policy, and the dependent variable is firm value. The operational definitions and measurements for the four variables are described in Table 2 below.

Table 3 Operational Definition and Measurement

Variables	Operational Definition	Formula	Unit
<i>Return on Equity / ROE (X1)</i>	After-tax net profit of the company is compared to the total equity the company has.	$\frac{\text{Net Profit After Tax}}{\text{Equity}}$	Percent
<i>(Return on Assets / ROA (X2))</i>	The company's net profit compared to the assets owned by the company	$= \frac{\text{Net Profit}}{\text{Total Asset}}$	Percent
<i>Dividend Policy (X3) = Dividend Payout Ratio / DPR</i>	Company policy in determining dividends to be distributed to shareholders.	$= \frac{\text{Dividend per Share}}{\text{Earnings per Share}}$	Percent
<i>The Value Of The Company (Y) = (Price to Book Value / PBV)</i>	The unit that a company produces from the book price of the shares at the closing price of the shares.	$= \frac{\text{Book Value}}{\text{Closing Share Price}}$	Percent

## RESULT AND DISCUSSION

### Descriptive Analysis Results

The independent variables used in this study are ROE, ROA, and Dividend Policy. ROE and ROA include profitability ratios where the amount is used as an assessment of the company's performance from the profits generated by the company. In this study, the Return on Equity (ROE) ratio is proxied by net profit after tax divided by total capital, while the Return on Assets (ROA) ratio is proxied by total profit divided by total assets. Dividend policy is seen by how the company distributes profits in the form of dividends. The measuring tool for Dividend Policy is proxied by the Dividend Payout Ratio (DPR).

Table 4 Return On Equity (ROE) for the 2015-2019 period

	Years	N	Lowest	The Highest	Average	Coefficient Of Diversity
ROE	2015	7	3,05	30,10	15,10	8,31
	2016	7	4,88	26,40	15,05	6,75
	2017	7	6,55	23,51	15,62	5,53
	2018	7	7,10	224,50	44,21	79,67
	2019	7	-,17	26,40	12,64	8,31
		35			20,52	21,71

Source: Results of data processing SPSS 25, 2021

In table 4, the results of the data used are 35 (N) with the period 2015-2019 showing the ROE variable which is proxied by net profit after tax divided by capital. The lowest value was -0.17 in 2019 and the highest value was 224.50 in 2018. The overall average value was 20.52 with a coefficient of diversity of 21.71. From these results, the largest ROE value is in the company Merck Tbk. and the smallest is Kimia Farma Tbk.

Table 5 Return On Assets (ROA) for the 2015-2019 period

Variabel	Years	N	Lowest	The Highest	Average	Coefficient Of Diversity
ROA	2015	7	1,93	22,22	11,27	6,71
	2016	7	3,08	20,68	11,34	6,27
	2017	7	4,47	17,08	10,86	5,37
	2018	7	4,25	92,10	21,91	31,46
	2019	7	-,07	22,80	9,63	7,23
		35			13,00	11,41

Source : Result of data processing SPSS 25, 2021.

In table 5, the results of the data used are 35 (N) with the period 2015-2019 showing the ROA variable with net income divided by total assets. The lowest value is -0.07 in 2019 and the highest value is 92.10 in 2018. The overall average value is 13.00 with a coefficient of variability of 11.41. From these results, the company with the highest ROA value was Merck Tbk. and the smallest ROA value is Kimia Farma Tbk.

Table 6 Dividend Payout Ratio (DPR) for the 2015-2019 period

Variabel	Years	N	Lowest	The Highest	Average	Coefficient Of Diversity
DPR	2015	7	,00	85,70	42,02	32,21
	2016	7	,00	81,15	26,85	30,85
	2017	7	,00	98,02	52,90	34,81
	2018	7	20,00	120,23	55,13	38,69
	2019	7	,00	74,41	26,82	28,27
		35			40,74	142,21

Source : Result of Data Processing SPSS 25, 2021.

In table 6, the results of the data used are 35 (N) with the period 2015-2019 showing the dividend policy variable proxied by the DPR. The lowest value is 0.00 and the highest value is 120.23 in 2018. The overall average value is 40.74 with a coefficient of diversity value of 142.21. From these

results, the company with the largest dividend policy is Kalbe Farma Tbk. and the smallest is Pyridam Farma Tbk.

Table 7 Price to Book Value (PBV) period 2015-2019

	Years	N	Lowest	The Highest	Average	Coefficient Of Diversity
PBV	2015	7	,61	6,72	3,39	2,33
	2016	7	1,08	7,07	3,58	2,25
	2017	7	1,02	5,06	3,19	1,69
	2018	7	,83	5,89	3,34	1,98
	2019	7	,75	5,72	2,10	1,84
		3			13,92	8,62
		5				

Source : Result of Data Processing SPSS 25, 2021.

Table 7 shows the firm value variable which is proxied by PBV. The lowest value was 0.61 in 2015 and the highest value was 7.07 in 2016. The overall average value was 13.92 with a coefficient of diversity of 8.62. From these results, the company with the largest corporate value is Merck Tbk. and the smallest during the 2015-2019 period, namely Pyridam Farma Tbk.

### Normality Test

The data normality test is used to determine whether the research data is normally distributed or not. The normality test used in this study is the One-Sample Kolmogorov-Smirnov test with a significant level > 0.05

Tables 8 Normality Test Results

One-Sample Kolmogorov-Smirnov		
		Unstandardized Residual
N		35
Normal Parameters <sup>a,b</sup>	Mean	,0000000
	Std. Deviation	1,14237480
Most Extreme Differences	Absolute	,144
	Positive	,144
	Negative	-,092
Test Statistic		,144
Asymp. Sig. (2-tailed)		,070 <sup>c</sup>
		0.00

Source : Result of Data Processing SPSS 25, 2021.

Based on table 8, the Normality Test Results show that the Asymp. Sig. (2-tailed) has a significance value of 0.70 greater than 0.005, this means that the data is normally distributed so that the hypothesis is feasible to be tested. Normally distributed data is also shown with a histogram graph that forms a bell in the middle in Figure 2 and the Normal Distribution Histogram can also be seen from Figure 3 Normal P-Plot of Standard Residual Regression that the points spread out close to the diagonal line.

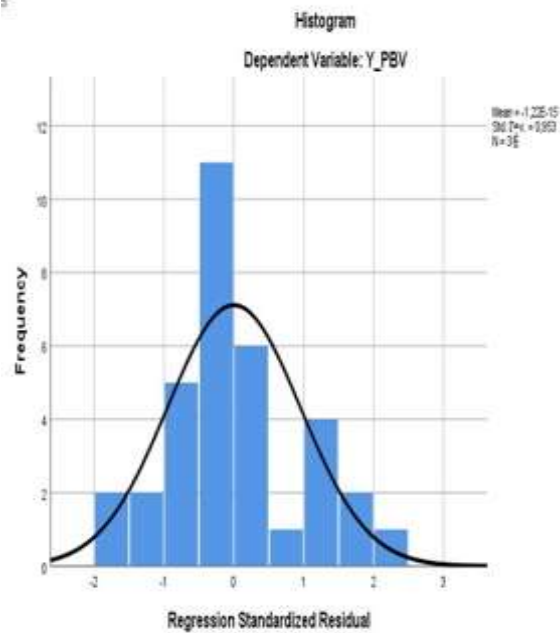


Figure 2 Normal Distribution Histogram

Normal P-P Plot of Regression Standardized Residual

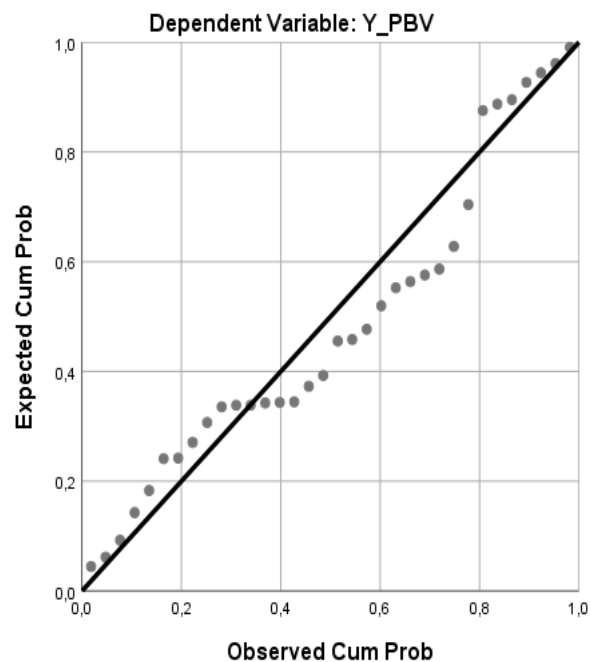


Figure 3 Normal P-Plot of Residual Standard Regression

### Multicollinearity Test

Multicollinearity test is seen from the Variance Inflation Factor (VIF) and tolerance between independent variables. Multicollinearity test decision making criteria, if the tolerance value  $\geq 0.10$  and  $VIF \leq 10$ , then multicollinearity does not occur.



Table 9 Multicollinearity Test Results

Variabel	Collinearity Statistics	
	Tolerance	VIF
X1_ROE	0,12	8,27
X2_ROA	0,12	8,66
X3_DPR	0,84	1,19

Source : Result of Data Processing SPSS 25, 2021.

Table 9 shows that all variables of ROE, ROA, and DPR have a tolerance value of  $\geq 0.10$  and VIF  $\leq 10$  so that there is no multicollinearity.

### Autocorrelation Test

Autocorrelation test by analyzing the Durbin-Watson by comparing the calculated Durbin-Watson value obtained by using the Durbin-Watson value so that the analysis results can be concluded.

Table 10 Autocorrelation Test Result

Durbin-Watson	Information
2,101	There is no Autocorrelation

Source : Result of Data Processing SPSS 25, 2021.

From table 10 Autocorrelation Test Results, the Durbin-Watson value is 2.101. While the values of  $DW > DU$  and  $DW < 4-DU$ . Then you get  $2.101 > 1.6528$  (DW table) and  $2.101 < (4-1.6528)$  or  $2.101 < 2.347$ . So that means, the data used meets the requirements and there is no autocorrelation.

### Heteroscedasticity Test

The heteroscedasticity test is useful for testing whether the regression model has an inequality of residual variants with each other. Based on Figure 4, the Scatterplot shows the spread randomly and does not form a specific pattern. Then there is no similarity in the residual variants between variables. So there is no heteroscedasticity.

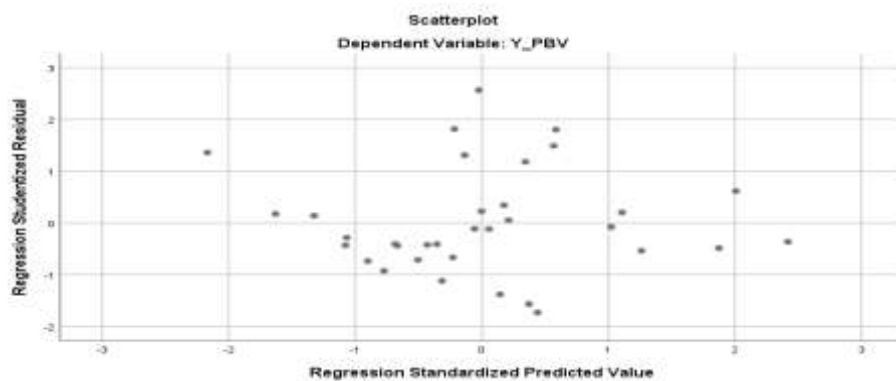


Figure 4 Scatterplot

### Hypothesis testing

#### Partial Influence

In Table 4.11 the results of the partial effect show that only the independent variable (X1) ROE has a value of  $t \text{ count} > t \text{ table}$  so that it means that ROE has a partial effect on the dependent variable (Y) Firm Value, with a  $t$  value of  $3.81 > 1.695$  and a value significance  $0.001 < 0.05$ . Meanwhile, the independent variable (X2) ROA and (X3) DPR have no partial effect on the dependent variable (Y) Firm Value.

Table 11 Partial Effect Results

Variabel	t	Sig.
X1_ROE	3,81	,001
X2_ROA	-1,02	,314
X3_DPR	-1,12	,270

Source : Result of Data Processing SPSS 25, 2021.

### Simultaneous Influence

In table 4:12 the results of the simultaneous effect show that the calculated F value is 20.92 and the F table is 2.90. Then the value of F count > F table means that the independent variables simultaneously influence the dependent variable. A significance value of 0.00 which indicates a value less than 0.05, which means that the independent variables jointly affect the dependent variable.

Table 12. Simultaneous Influence Result

	Sum Squares	of df	Mean Square	F	Sig.
Regression	90,09	3	30,03	20,92	,000 <sup>b</sup>
Residual	43,07	30	1,44		
Total	133,16	33			

Source : Result of Data Processing SPSS 25, 2021.

### Coefficient of Determination

The coefficient of determination is used to measure how much the influence of the independent variables can explain the related variables. Looking at the adjusted R Square (R<sup>2</sup>) value.

Tabel 13. Coefficient of Determination Result

R	R Square	Adjusted R Square	Std. Error of the Estimate
0,84 <sup>a</sup>	0,70	0,67	0,95

Source : Result of Data Processing SPSS 25, 2021.

From table 4:13 the results of the coefficient of determination found in R Square are 70%. This value shows the magnitude of the influence of the independent variables ROE, ROA, and DPR on the dependent variable Firm Value. While the remaining 30% is influenced by other variables that are not used as variables in this study such as EPS.

### Discussion Of Research Result

This study aims to find the influence of the independent variables, namely Return On Equity (ROE), Return On Asset (ROA), and dividend policy on the dependent variable, namely firm value. This research was conducted using secondary data obtained from the financial statements of companies listed on the Indonesia Stock Exchange (IDX) in the period 2015 - 2019.

In this study, Return On Equity (ROE) is proxied by net income divided by total capital. Return on Assets (ROA) to see the income received from managing assets owned by the company is proxied by total profit divided by total assets. Dividend policy is proxied by dividend payments (Dividend Payout Ratio / DPR) to find out how much company profits are made in the form of dividends. The dependent variable in this study is firm value as proxied by book value to price (PBV) to determine the comparison of book value with stock price.

Based on the test results with descriptive statistics, the following research results are obtained. The highest ROE value is at the company Merck Tbk with an ROE value of 224.50 in 2018. The highest ROA value in 2018 was again obtained by the company Merck Tbk in 2018, amounting to 92.10. Then for dividend policy (DPR), the highest value was obtained in 2018, namely Kalbe Farma Tbk with a DPR value of 120.23. As for the company value (PBV), the highest value was obtained in 2016, namely the company Merck Tbk with a PBV value of 7.07.

The results of this study indicate that Return On Equity (ROE), Return On Assets (ROA), and dividend policy simultaneously affect firm value. Partially, Return on Equity (ROE), which is proxied by net income divided by total capital, has an effect on firm value. Meanwhile, Return On Asset (ROA) which is proxied by total profit divided by total assets and dividend policy proxied by DPR does not have a significant effect on firm value.

### **Effect of Return On Equity (ROE) on Firm Value**

ROE is one of the profitability ratios which describes how much profit the company can generate. One of the sources of company income is the management of the company's capital. The greater the profitability ratios such as ROE, the better the company's performance.

From the results of statistical tests, return on equity (ROE) has an effect on firm value. When return on equity (ROE) increases, firm value also increases. Supported by the theory according to (Zulfikar, 2016) that the higher the profitability ratio, the better a company is running its operations, the better the company's name is in the eyes of investors. Meanwhile, ROE is a ratio to measure profitability. So that the first hypothesis (H1) which states that Return on Equity (ROE) affects firm value is accepted. Because from the results of table 4.11 the value of t count is  $3.81 > t$  table 1.69. The significance value is  $0.001 < 0.05$ . This is in line with the research conducted by Ayu. D, et al. (2017), Puspitaningtyas (2017) and Nopiyanti & Darmayanti (2016), who say that Return On Equity (ROE) has a positive and significant effect on company value. The higher the ROE value, the better the financial performance in managing business capital to generate net profit after deducting taxes. So that the ability of a good company to generate profits will also increase the value of the company. However, this contradicts research conducted by Ramadhani.YC, (2020), which states that ROE has a negative and insignificant effect on firm value.

### **Effect of Return On Assety (ROA) on Firm Value**

ROA is also a profitability ratio which describes how much profit the company can generate. One of the sources of company income is the management of the company's capital.

In this study, ROA is proxied by net income divided by total assets. From the results of statistical tests, ROA has no effect on firm value. So that the second hypothesis (H2) states that Return on Assets (ROA) affects the value of the company is rejected because from the results of table 4.10 the value of t count is  $-1.02 < t$  table 1.98 and the significance value is  $0.314 > 0.05$ . According to Rahman Hakim (2006) in Febry Setyo N (2013), a project in Return On Assets (ROA) can increase the company's short-term goals, but has negative consequences in the long term, in the form of reducing the marketing budget, laying off some sales workers, and use of cheaper raw materials and thus reduce product quality in the long run. From this statement, a high ROA value cannot guarantee an increase in the value of the company in the future or in the long term, because the consequences of asset management are often a reduction or efficiency of the company's operational budget, both production operations with efficient raw material prices and so on so that it can reduce the quality of the product. will have an impact on long-term profit income.

The results of this study were different from the research conducted by Haunteas1. O.S, et al. (2019), F. Sulistiyo (2019), Kusumawati & Rosady (2018), G.A. Sri Oktaryani & Mannan, S.S.A (2018), Nugroho, F.S. (2013), as well as Pratama & Wiksuana (2016), which state that Return On Assets (ROA) has a positive and significant effect on firm value.

### **The Effect of Dividend Policy on Firm Value**

Dividend policy is related to the distribution of company profits which will be used as dividends. Dividends are an attraction for shareholders, which is an extra advantage given in return.

The proxy variable used in this study is DPR. From the statement of the third hypothesis (H3) dividend policy affects the company value, but from the statistical calculation the t value is  $-1.12 < t$  table 1.98 with a significance value of  $0.270 > 0.005$ , so the second hypothesis (H2) is rejected. This result is supported by research conducted by Sari & Wijayanto (2015), which states that the dividend policy proxied by the DPR has no effect on firm value. However, it is different from the results of research conducted by Hautes1, OS, et al (2019), which stated that dividend policy has an effect, although not significant to firm value, and research conducted by Putra & Lestari (2016), which states that dividend policy has a positive and significant to firm value. According to the theory of Van Horne and Machowicz (2012), there are factors that negatively affect dividend policy, including: rule of law and retention of earnings; company funding needs; debt and control.

## **CONCLUSION**

From the results of the research and discussion of this study, the following conclusions can be drawn.

1. The company Merck Tbk received the highest ROE and ROA values in 2018 and the highest company value proxied by PBV in 2016. While the DPR value as a proxy for dividend policy, the highest value occurred in 2018 at Kalbe Farma Tbk.
2. Partially, only Return On Equity (ROE) has an effect on firm value. The higher the ROE value, the better the financial performance in managing business capital to generate net profit after deducting taxes. So that the ability of a good company in managing its capital to generate profits will also increase the value of the company. When the Return On Equity (ROE) increases, the company value also increases. The greater the Return On Equity (ROE), the greater the firm value.
3. Return on assets (ROA), which is proxied by net income divided by total assets, has no effect on firm value. According to Rahman Hakim (2006) in Febry Setyo N (2013), a project in Return On Assets (ROA) can increase the company's short-term goals, but has negative consequences in the long term, in the form of reducing the marketing budget, laying off some sales workers, and use of cheaper raw materials and thus reduce product quality in the long run. From this statement, a high ROA value cannot guarantee an increase in the value of the company in the future or in the long term, because the consequences of asset management are often a reduction or efficiency of the company's operational budget, both production operations with efficient raw material prices and so on so that it can reduce the quality of the product. will have an impact on long-term profit income.
4. Dividend policy, which is proxied by the Dividend Payout Ratio (DPR), has no effect on firm value. According to the theory of Van Horne and Machowicz (2012), there are factors that negatively affect dividend policy, including: rule of law and retention of earnings; company funding needs; debt and control.

## SUGESTION

For people who will invest their money in companies engaged in the pharmaceutical industry sector, the public can assess the company's fundamentals in terms of its financial performance. One of them is by looking at the ROE value or return on equity. A good ROE value reflects good financial performance, it is related to a good company value. However, assessing its financial performance alone is not sufficient to determine company value. Global economic conditions that are very dynamic and unstable are things that need to be taken into account in assessing or predicting company conditions in the future. This is because the value of the company is also determined by the trust of the investment community, which is shown by the weakening or strong demand for shares which affects the price of shares circulating in the market. For further research that has the same theme, other important variables can be added that can have a significant effect on firm value. So that in the future we can find out what factors can increase the value of the company.

## REFERENCES

- Abdul Kadim, K., & Nardi Sunardi, S. (2018). Determinant Of Company's Likuidity And It's Implications On Financial's Performance Of Retail Trade Company's In Indonesia At The Period Of 2008–2017. *Global and Stockhastic Analysis*, 5(7), 235-247.
- Abdul Kadim, K., & Nardi Sunardi, S. (2018). Determinant Of Company's Likuidity And It's Implications On Financial's Performance Of Retail Trade Company's In Indonesia At The Period Of 2008–2017. *Global and Stockhastic Analysis*, 5(7), 235-247.
- Abdul Kadim, K., & Nardi, S. (2018). Eviews Analysis: Determinant Of Leverage And Company's Performance. *Global and Stochastic Analysis (GSA)*, 5(7), 249-260.
- Abdul Kadim, K., & Nardi, S. (2018). Eviews Analysis: Determinant Of Leverage And Company's Performance. *Global and Stochastic Analysis (GSA)*, 5(7), 249-260.
- Abdul Kadim, K., Nardi Sunardi, S., Hendro Waryanto, W., Dessy Adelin, A., & Endang Kusmana, K. (2018). The Effects Of Bank Soundness With The RGEC Approach (Risk Profile, Good Corporate Governance, Earnings, Capital) Of Leverage And Its Implications On Company's Value Of State Bank In Indonesia For The Period Of 2012-2016. *IJER (International Journal of Economic Research)*, 15(11), 41-52.
- Adi Putra, A.A & Lestari, P.V. "Pengaruh Kebijakan Deviden Likuiditas, Profitabilitas dan Ukuran Perusahaan Terhadap Nilai Perusahaan." *E-Jurnal Manajemen, [S.l.]*, v. 5, n. 7, july 2016.

- Brigham, Eugene F. dan Joel F. Houston. 2010. Dasar-dasar Manajemen Keuangan, Buku Satu. Edisi Kesepuluh, Ahli Bahasa Ali Akbar Yulianto. Jakarta: Salemba Empat.
- Dewa Ayu Intan Yoga Maha Dewi dan Gede Mertha Sudiarta. 2017. "Pengaruh Profitabilitas, Ukuran Perusahaan, Dan Pertumbuhan Aset Terhadap Struktur Modal Dan Nilai Perusahaan". E-Jurnal Manajemen Unud, Vol. 6, No. 4.
- Ghozali, Imam. 2016. Aplikasi Analisis Multivariate dengan Program SPSS Edisi Kedelapan. Semarang: Badan Penerbit Universitas Diponegoro.
- Hakim, L., Sunardi, N. (2017). Determinant of leverage and it's implication on company value of real estate and property sector listing in IDX period of 2011-2015. *Man in India*, 97(24), pp. 131-148.
- Hanafi, M. dan Halim A. (2016). Analisis Laporan Keuangan Edisi Kelima. Yogyakarta: UPP STIM YKPN.
- Hanafi, M. dan Halim A. (2016). Analisis Laporan Keuangan Edisi Kelima. Yogyakarta: UPP STIM YKPN.
- Harmono. 2009. Manajemen Keuangan: Berbasis Balanced Scorecard Pendekatan Teori, Kasus, Dan Riset Bisnis. Jakarta : Bumi Aksara.
- Harras, H., Sugiarti, E., & Wahyudi, W. (2020). Kajian Manajemen Sumber Daya Manusia Untuk Mahasiswa.
- Hauteas1, OS, dkk (2019). "Analisis Pengaruh Profitabilitas dan Kebijakan Dividen terhadap Nilai, Perusahaan dengan Struktur Modal sebagai Variabel Mediasi." Jurnal Manajemen Dan Keuangan, Vol. 8, NO 2, November 2019.
- Husain, T., & Sunardi, N. (2020). Firm's Value Prediction Based on Profitability Ratios and Dividend Policy. *Finance & Economics Review*, 2(2), 13-26.
- Husnan, S. (2008). Manajemen Keuangan Teori dan Penerapannya (Keputusan Jangka Panjang). Yogyakarta: BPFE.
- Kadim, A., Sunardi, N & Husain, T. (2020). The modeling firm's value based on financial ratios, intellectual capital and dividend policy. *Accounting*, 6(5), 859-870.
- Kasmir. 2012. Analisis Laporan Keuangan. Jakarta : PT. Raja Grafindo Persada.
- Kusumawati, Rita dan Irfham Rosady. 2018. "Pengaruh Sturuktur Modal dan Profitabilitas Terhadap Nilai Perusahaan Dengan Kepemilikan Manajerial Sebagai Variabel Moderasi". Jurnal Manajemen Bisnis, Vol 9.
- Mukrodi, M. (2019). Membangun Motivasi Kerja. *SCIENTIFIC JOURNAL OF REFLECTION: Economic, Accounting, Management and Business*, 2(4), 431-440.
- Nardi Sunardi Et Al (2020). Determinants of Debt Policy and Company's Performance, *International Journal of Economics and Business Administration* Volume VIII Issue 4, 204-213
- Nardi Sunardi, E. A., Kadim, A., Tumanggor, M., & Oktrima, B. (2018). Effects Of The Bank Soundness With The Rbbr Approach (Risk Base Bank Rating) Of Cost Efficiency And Its Implications On Sharia Bank Performance In Indonesia For The Period Of 2012–2016. *International Journal of Economic Research*, 15(1).
- Nopiyantri, I Dewa Ayu dan Ni Putu Ayu Darmayanti. 2016. "Pengaruh PER, Ukuran Perusahaan, dan Profitabilitas Pada Nilai Perusahaan Dengan Struktur Modal Sebagai Variabel Moderasi". E-Jurnal Manajemen Unud, Vol. 5.
- Nugroho, F.S. (2013). "Pengaruh Good Corporate Governance, Return On Assets dan Ukuran Perusahaan terhadap Nilai Perusahaan pada Perusahaan yang Terdaftar di Bursa Efek Indonesia Periode 2008-2011". Skripsi. Yogyakarta: Universitas Negeri Yogyakarta.
- Oktaryani, G.A. Sri dan Siti Sofiyah Abdul Mannan. 2018. "The Moderating Effect Of Dividend Policy On Free Cash Flow And Profitability Towards Firm Value". Jurnal Magister Manajemen Universitas Mataram Volume 7 – Issue 3.

- Pratama, I Gusti Bagus Angga dan I Gusti Bagus Wiksuana. 2016. "Pengaruh Ukuran Perusahaan Dan Leverage Terhadap Nilai Perusahaan Dengan Profitabilitas Sebagai Variabel Mediasi". E-Jurnal Manajemen Unud, Vol. 5.
- Puspitaningtyas, Zarah. 2017. "Efek Moderasi Kebijakan Dividen dalam Pengaruh Profitabilitas Terhadap Nilai Perusahaan Manufaktur". Jurnal Akuntansi, Ekonomi dan Manajemen Bisnis Vol. 5.
- Radjab, E & Jam'an, A. 2017. "Metodologi Penelitian Bisnis." Cetakan Pertama. Makassar: Lembaga Perpustakaan dan Penerbitan Universitas Muhammadiyah Makassar.
- Ramadhani, YC. 2020. "Pengaruh Kinerja Keuangan, Rasio Pertumbuhan Perusahaan terhadap Nilai Perusahaan dan Free Cash Flow sebagai Variabel Moderating pada Perusahaan Freeport Indonesia, Tbk." Jurnal Manajemen Dan Keuangan, Vol 9, No.2 November 2020.
- Rokhmawati, Andewi. 2016. Manajemen Keuangan. Yogyakarta: Deepublish.
- Rudianto. 2009. Pengantar Akuntansi. Jakarta : Erlangga.
- Sari, Evrila Lupita dan Andhi Wijayanto. 2015. "Pengaruh Keputusan Investasi, Pendanaan, dan Dividen Terhadap Nilai Perusahaan Dengan Risiko Sebagai Variabel Mediasi". Management Analysis Journal Universitas Negeri Semarang.
- Situmorang, A.. 2008. Pengantar Pasar Modal. Jakarta : Mitra Wacana Media.
- Sukamulja, Sukmawati. 2017. Pengantar Permodelan Keuangan dan Analisis Pasar Modal. Yogyakarta: Andi Offset.
- Sulistiyo,F, dkk. (2019). "Pengaruh Profitabilitas dan Kecukupan Modal terhadap Nilai Perusahaan dengan Islamic Social Report (ISR) sebagai Variabel Moderasi. (Studi pada Bank Umum Syariah Indonesia Tahun 2014-2018). Jurnal Manajemen Dan Keuangan, Vol. 8, NO 2, November 2019.
- Sunardi, N., Hamid, A. A., Lativa, A. K., & Tulus, N. (2018). Determinant Of Cost Efficiency And It's Implications For Companies Performance Incorporated In The Lq. 45 Index Listing In Idx For The Period of 2011-2016. *International Journal of Applied Business and Economic Research*, 16(1).
- Tandelilin, Eduardus. 2017. Pasar Modal Manajemen Portofolio & Investasi. Yogyakarta : Kansius.
- Van Horne, James C., John M. Machowicz. 2012. Financial Management and Policy. Ed 13. Jakarta : Terjemahan Salemba Empat.
- Zulfikar. 2016. Pengantar Pasar Modal Dengan Pendekatan Statistika Edisi Pertama, Cetakan Pertama. Yogyakarta: Gramedia.