FIRM VALUE DETERMINANTS: EMPIRICAL EVIDENCE FROM MANUFACTURING FIRMS LISTED ON THE INDONESIA STOCK EXCHANGE

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PAPER INFO
ABSTRACT

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Background: The company's objectives can be achieved through the implementation of appropriate financial management functions because every financial decision taken will affect other financial management decisions and will have an impact on the value of the company.

Aim: This study aims to determine the effect of dividend policy, profitability, capital structure, liquidity, and firm size on firm value.

Method: The data used in this study was secondary data obtained from manufacturing companies located in the Indonesia Stock Exchange from 2016 to 2019. The data collection method used is the purposive sampling method, which resulted in 50 companies during four years of observation. The analysis technique used in this research is data panel regression.

Findings: The results of the model-1 research show that DPR, ROA, DER, CR, and SIZE, together influence PBV with an adjusted R² of 64.4%. Individually, DPR and ROA have a positive and significant effect on firm value, while CR, DER, and SIZE have no significant effect on firm value. The results of the model-2 research show that DPR, ROA, DER, CR, and SIZE, together influence Tobin’s Q with an adjusted R² of 45.8%. Individually, DPR and ROA have positive and significant effects on firm value, while CR, DER, and SIZE have no significant effect on firm value.

KEYWORDS
dividend policy; profitability; capital structure; liquidity; firm size

INTRODUCTION

Competition in the business world is currently causing the economy in Indonesia to grow rapidly. As a result, companies must be able to compete with other companies by making a development such as market expansion so that the company can maintain company viability and increase company value (Nuradawiyah & Susilawati, 2020). A company can be said as an economic entity that is built to use company resources with the aim of maximizing company profits and company value (Sari & Sedana, 2020). Maximizing company value is maximizing profit or income by considering risk factors and the time value of money (Hamidah et al., 2015). The short-term goal of a company is to obtain maximum profit by utilizing existing resources, while the long-term goal of a company is to increase the value of the company and increase the wealth of its shareholders (Dewi & Ekadjaja, 2020).

The company's objectives can be achieved through the implementation of appropriate financial management functions because every financial decision taken will affect other financial management decisions and will have an impact on the value of the company. The optimal combination of three financial management decisions, namely investment decisions, funding decisions, and policies can maximize the value of the company and every decision taken by the company will be mutually related to each other (Ernayani & Sari, 2017).
According to Jariah (2016), the value of the company can maximize shareholder welfare if the share price rises. The higher the stock price, the higher the value of the company. A high company value is desirable for company owners because a high value indicates the prosperity of shareholders.

Factors that affect firm value have been widely discussed in various empirical studies. The discussion is focused on whether there is an optimal capital structure for the company or whether the amount of debt used can increase the value of the company (Handriani & Robiyanto, 2018). Zheng (2017), argues that if the capital structure policy in a company can add some value to the company, then the company must make capital structure decisions to maximize the value of the company.

Several factors can affect the value of the firm including dividend policy, profitability, liquidity, capital structure, current ratio, and firm size. Dividend policy is a company's financial decision on whether to distribute the profits generated to shareholders or to retain them as retained earnings. Dividends paid are usually expressed as the Dividend Payment Ratio (Kristianti & Foeh, 2020). Profitability is an important prerequisite for a company's long-term sustainability and is a scale that has a significant impact on the achievement of other companies' financial goals. One of the company's efforts to improve and maintain its performance is to measure the ability of the capital structure to influence the profitability and liquidity of the company in order to increase its firm value. Capital structure is an important variable for profitability, as improving a company's performance is inseparable from the capital aspect of the company (Andawasatya, Indrawati, & Aisjah, 2017). Determining the right ratio of debt to capital in a capital structure can help increase the profitability of a company (Habib, Khan, & Wazir, 2016). Liquidity is closely related to revenue because it indicates the amount of working capital a company needs to fund its business. Planning and monitoring a company's liquidity is very important to the company as it avoids the risk of short-term defaults and excess working capital (Sari & Sedana, 2020). The size of the company also plays an important role in optimizing the firm value. Denziana and Monica (2016) state that firm size is an indicator of the financial strength that underpins a company’s performance. According to Pantow et al (2015), the positive effect of firm size on access to funding sources can strengthen investor confidence in the increase of firm value reflected in the stock exchange price. The larger size of the company, the easier it will be to get operational costs as well as funding for the company's development.

Some results of empirical studies on the impact of dividend policy on firm value were inconsistent. As a reference, Nugroho (2016), Sintyana & Artini (2018), and Dewi & Astika, (2019) research results show that dividend policy has a positive and significant effect on firm value. Meanwhile, the research results made by Clementin & Priyadi (2016), Palupi & Hendiarto (2018), and Ahmad et al (2020) showed that dividend policy has a negative and significant effect on firm value. On the other hand, the research results made by (Abidin et al., 2014) showed that dividend policy has no significant effect on firm value.

Fatimah et al (2020), (Purba, 2019)6 results showed that profitability has a positive and significant effect on firm value. While Yulianto & Widyasari (2020), Meivinia (2018), and Robiyanto et al (2020) results showed that profitability has a negative and significant effect on firm value. Priyanto (2016), Ukhrwiwayati & Malia (2018) and Bagaskara et al. (2021) result showed that profitability has no significant effect on firm value.
According to (Adenugba et al., 2016) research, capital structure has a positive and significant effect on firm value. Meanwhile (Sintyana & Artini, 2018) results showed that capital structure has a negative and significant effect on firm value. On the other hand, Meidiawati & Mildawati (2016) Utomo & Christy (2017) and Nasrun & Adi (2021) results showed that capital structure has no significant effect on firm value.

Deli & Kurnia (2017), Yanti & Darmayanti (2019), and Astuti & Yadnya (2019) research results showed that liquidity has a positive and significant effect on firm value. Thaib & Dewantoro (2017) Dewiningrat & Mustanda (2018) and Dewi & Ekadjaja (2020) results showed that liquidity has a negative and significant effect on firm value. Meanwhile, Lumentut & Mangantar (2016), Fatimah et al. (2020), and Oktrima (2017) research results showed that liquidity has no significant effect on firm value.

Pramana & Mustanda (2016), Astuti & Yadnya (2019), and Yanti & Damayanti (2019) results showed that firm size has a positive significant effect on firm value. Utomo & Christy (2017), Irawan & Kusuma (2019), and Nuradawiyah & Susilawati (2020) research results showed that firm size has a negative significant effect on firm value. On the other hand, Yuslirizal (2017) Sintyana & Artini (2018), and Fatimah et al (2020) results showed that firm size has no significant effect on firm value.

Based on this description, this study aims to examine the effects of dividend policy, profitability, capital structure, liquidity, and firm size on firm value in manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2016-2019 period. Theoretical studies conducted with the study of empirical study findings provide an overview of the variables which can help formulate hypotheses. Based on this framework, a thesis study can be expected to be able to provide theoretical and practical contributions related to the direct effect of dividend policy, profitability, capital structure, liquidity, and firm size on firm value.

**Research Model**

Figure 1 presents the research model of the study. The independent variable of dividend policy is measured DPR, profitability is measured by ROA, capital structure is measured by DER, liquidity is measured by CR, and firm size is measured by Ln (Total Assets). The dependent variable of firm value is measured by PBV and Tobin’s Q.
Hypothesis proposed in this study are as follows:
H1: Dividend Policy has a significant positive effect on firm value
H2: Return on Asset has a significant positive effect on firm value
H3: Capital Structure has a significant positive effect on firm value
H4: Liquidity has a significant positive effect on firm value
H5: Firm Size has a significant positive effect on firm value

METHOD
Data and Sample
This research was conducted on manufacturing sector companies listed on the Indonesia Stock Exchange (IDX) for the 2016 – 2019 period. The data used in this study are secondary data obtained from the annual reports of manufacturing sector companies available on the official websites of each company and the official website of the Indonesia Stock Exchange. We used a purposive sampling method to maintain the same number of observations during the observed years. With the criteria used in determining the sample: 1) the sample must be actively registered on the IDX 2016 to 2019; 2) the sample operates in a manufacturing sector company; 3) the sample publishes an annual report by presenting the complete data. A more detailed sample distribution is presented in Table 1.

Table 1. Sample Selection Criteria

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>180</td>
</tr>
<tr>
<td>Manufacturing companies listed on Indonesia Stock Exchange (IDX) for the period 2016–2019.</td>
<td></td>
</tr>
</tbody>
</table>
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2. Manufacturing companies that did not issue financial reports as of December 31 for four consecutive years in the 2016–2019 period. (83)

3. Manufacturing companies that have negative Equity in the period. Manufacturing companies that do not use rupiah currency in their financial statements (30)

4. Manufacturing companies that do not use Rupiah currency in their financial statements (11)

5. Manufacturing companies with annual reports that do not provide complete data and information on variables in the study. (30)

6. Outlier Data (9)

Total sample used 50

Number of observation 200

Variable Measurement

Dependent Variables

Dependent variables in this research are firm value. The value of the company is a picture of the welfare of the company and its shareholders. Firm value can be measured by the ratio of price to book value (PBV). The PBV ratio is a ratio that compares the price per share with the book value per share (Deli & Kurnia, 2017).

\[
PBV = \frac{Market\ Price\ per\ Share}{Book\ Value\ per\ Share}
\]

\[
TOBIN'S\ Q = \frac{Market\ Value\ of\ Equity + Debt}{Total\ Asset}
\]

Independent Variables

1. Dividend Policy: The dividend policy is the amount of profit distributed to shareholders at the end of the year and also reflects the amount of profit invested in retained earnings at the end of the year. The dividend policy for this survey is determined by the DPR (Dividend Payment Ratio).

\[
DPR = \frac{Dividend\ per\ Share}{Earning\ per\ Share}
\]

2. Profitability: Profitability is the company’s ability to earn profits through its business operations using the company's assets. Referring to previous research conducted by Kholis et al. (2018), profitability can be proxied by ROA.

\[
ROA = \frac{Net\ Income}{Total\ Asset}
\]
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3) Capital Structure: Capital structure is the probability of the amount of short-term debt, long-term debt, preferred stock, and common stock. Capital structures can be measured as a ratio of total liabilities to equity. This is commonly known as the debt-to-capital ratio (DER). According to Yanti & Damayanti (2019), capital structure can be measured using DER.

\[
DER = \frac{Total \ Debt}{Total \ Equity}
\]

4) Liquidity: Liquidity is a measure of a company’s ability to fulfill its short-term commitments. Referring to previous research conducted by Lisda and Kusmayanti (2021) liquidity can be measured by Current Ratio (CR).

\[
CR = \frac{Current \ Assets}{Current \ Liabilities}
\]

5) Firm Size: Firm size is the size of a company. The size of a company's size is determined by the total assets owned by the company. According to Zuhroh (2019), company size is proxied as follows:

\[
SIZE = Ln (total \ asset)
\]

Regression Model

To estimate the relationship between dividend policy (DPR), profitability (ROA), capital structure (DER), liquidity (CR), and firm size (Ln(Total Asset) on the firm value in manufacturing companies listed on the Indonesia Stock Exchange period of 2016-2019, we adopted a panel data regression analysis by combining time-series (four years) and cross-sectional (59 companies) data. The relationship between independent variables and firm value was investigated through panel data regression with the following equation model:

\[
FV_{it} = \beta_0 + \beta_1 DPR_{t-1} + \beta_2 ROA_{it} + \beta_3 DER_{it} + \beta_4 CR_{it} + \beta_5 SIZE_{it} + e_{it}
\]

In which:

- \( \beta_0 \) = Constant (Intercept)
- \( \beta_1 \) ... \( \beta_5 \) = Regression coefficient of each variable
- \( FV \) = Firm Value (PBV, Tobin’s \( Q \))
- \( DPR_{t-1} \) = Dividend Policy on previous year
- ROA = Profitability
- DER = Capital Structure
- CR = Liquidity
- SIZE = Firm Size
- e = Error
RESULTS AND DISCUSSION

Descriptive Statistics

We begin discussing our findings by first presenting the descriptive statistics of our variables of interest. Hereby, we provide the information based on the mean value, standard deviation, minimum, median, and maximum values of each variable. Table 3 presents the basic information with regard to descriptive statistics analysis.

Table 2. Descriptive Statistics Analysis

<table>
<thead>
<tr>
<th></th>
<th>PBV</th>
<th>TOBIN</th>
<th>DPR</th>
<th>ROA</th>
<th>DER</th>
<th>CR</th>
<th>SIZE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>1.242341</td>
<td>1.122142</td>
<td>0.219586</td>
<td>0.045012</td>
<td>0.986868</td>
<td>1.884010</td>
<td>28.56953</td>
</tr>
<tr>
<td>Maximum</td>
<td>4.492553</td>
<td>2.847152</td>
<td>0.990256</td>
<td>0.178514</td>
<td>3.788035</td>
<td>5.828198</td>
<td>32.20096</td>
</tr>
<tr>
<td>Minimum</td>
<td>0.054717</td>
<td>0.359695</td>
<td>-0.118027</td>
<td>-0.15847</td>
<td>0.101908</td>
<td>0.133356</td>
<td>25.71439</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>0.985276</td>
<td>0.536912</td>
<td>0.228410</td>
<td>0.045425</td>
<td>0.606473</td>
<td>1.083106</td>
<td>1.338407</td>
</tr>
<tr>
<td>Observations</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
</tr>
</tbody>
</table>

Based on table 2 descriptive statistical results of firm value (PBV) in manufacturing companies on the IDX, the minimum value is 0.055, the maximum value is 4.493 with an average of 1.242. The minimum value of Tobin’s Q is 0.359, the maximum value is 2.847 with an average of 1.122.

The average dividend policy of 0.219 indicates that few companies outperform in the market and distribute high dividends while others even do not pay dividends. The calculation of average profitability is 0.045 indicates the company is capable of making a profit. The average capital structure is 0.987, this shows the average DER level below 1 which indicates the level of debt in manufacturing companies is quite low. The average liquidity is 1.884 indicates that the company is safe to pay its current liabilities by using its current assets. The average firm size of 28.569 indicates that the company is able to manage a significant amount of assets.

Table 3 presents the correlation analysis output. Based on the results in Table 3 shows the results that there is no multicollinearity or no correlation coefficient between variables with a value of more than 0.9000, it can be concluded that there is no correlation between the independent variables used in this study.

Table 3. Correlation Analysis Output (PBV)

<table>
<thead>
<tr>
<th></th>
<th>DPR</th>
<th>ROA</th>
<th>DER</th>
<th>CR</th>
<th>SIZE</th>
</tr>
</thead>
<tbody>
<tr>
<td>DPR</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROA</td>
<td>-0.187367*</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DER</td>
<td>-0.298034* 0.366203*</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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<table>
<thead>
<tr>
<th>Variable</th>
<th>Regression</th>
<th>Coefficient</th>
<th>Probability</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>DPR</td>
<td>Regresi PBV</td>
<td>0.229335</td>
<td>0.0423</td>
<td>H₀ rejected</td>
</tr>
<tr>
<td></td>
<td>Regresi Tobin’s Q</td>
<td>0.153414</td>
<td>0.0322</td>
<td></td>
</tr>
<tr>
<td>ROA</td>
<td>Regresi PBV</td>
<td>0.425934</td>
<td>0.0018</td>
<td>H₀ rejected</td>
</tr>
<tr>
<td></td>
<td>Regresi Tobin’s Q</td>
<td>0.62207</td>
<td>0.0133</td>
<td></td>
</tr>
<tr>
<td>DER</td>
<td>Regresi PBV</td>
<td>-0.838232</td>
<td>0.4700</td>
<td>H₀ accepted</td>
</tr>
<tr>
<td></td>
<td>Regresi Tobin’s Q</td>
<td>-0.202932</td>
<td>0.2041</td>
<td></td>
</tr>
<tr>
<td>CR</td>
<td>Regresi PBV</td>
<td>-0.001906</td>
<td>0.9738</td>
<td>H₀ accepted</td>
</tr>
<tr>
<td></td>
<td>Regresi Tobin’s Q</td>
<td>-0.013445</td>
<td>0.6566</td>
<td></td>
</tr>
<tr>
<td>SIZE</td>
<td>Regresi PBV</td>
<td>-0.490076</td>
<td>0.1257</td>
<td>H₀ accepted</td>
</tr>
<tr>
<td></td>
<td>Regresi Tobin’s Q</td>
<td>-0.245222</td>
<td>0.1201</td>
<td></td>
</tr>
</tbody>
</table>

Table 4. Correlation Analysis Output (Tobin’s Q)

<table>
<thead>
<tr>
<th>Variable</th>
<th>DPR</th>
<th>ROA</th>
<th>DER</th>
<th>CR</th>
<th>SIZE</th>
</tr>
</thead>
<tbody>
<tr>
<td>DPR</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROA</td>
<td>-0.187367*</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DER</td>
<td>-0.298034* 0.366203*</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CR</td>
<td>-0.587491* 0.261208* 0.316541*</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SIZE</td>
<td>0.334211* 0.216809*</td>
<td>* -0.275911*</td>
<td>1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: *, **, *** showing significance at the level of 10%, 5%, dan 1%

Main Analysis

The result of the regression test which is the main regression analysis. In this research hypothesis, it is assumed that DPR has a positive and significant effect on firm value, ROA has a positive and significant effect on firm value, DER has a positive and significant effect on firm value, CR has a positive and significant effect on firm value, and firm size has a positive and significant effect on firm value. The researcher tested the research hypothesis by providing empirical evidence about the relationship between DPR, ROA, DER, CR, firm size, and firm value. The regression test model this time uses a fixed effect model, because that model is the most appropriate model chosen for this study.

Table 5. T-test (partial) to explain the effect of firm value on the independent variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Regression</th>
<th>Coefficient</th>
<th>Probability</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>DPR</td>
<td>Regresi PBV</td>
<td>0.229335</td>
<td>0.0423</td>
<td>H₀ rejected</td>
</tr>
<tr>
<td></td>
<td>Regresi Tobin’s Q</td>
<td>0.153414</td>
<td>0.0322</td>
<td></td>
</tr>
<tr>
<td>ROA</td>
<td>Regresi PBV</td>
<td>0.425934</td>
<td>0.0018</td>
<td>H₀ rejected</td>
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<td></td>
<td>Regresi Tobin’s Q</td>
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<td>0.0133</td>
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</tr>
<tr>
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<td>-0.838232</td>
<td>0.4700</td>
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</tr>
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<tr>
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<td>0.9738</td>
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</tr>
<tr>
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</tr>
<tr>
<td>SIZE</td>
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</tr>
<tr>
<td></td>
<td>Regresi Tobin’s Q</td>
<td>-0.245222</td>
<td>0.1201</td>
<td></td>
</tr>
</tbody>
</table>
The Effect of Dividend Policy on Firm Value

The result showed that the probability value of DPR using PBV and Tobin’s Q was less than 0.05 (0.0423 and 0.0322 < 0.05) and a coefficient of 0.229335 indicating that DPR partially has a significant effect on firm value in a positive direction.

If the dividend policy variable increases by 1% with the assumption that the other independent variables remain constant, then the PBV will increase by 0.229335. The results of this study are in accordance with the signal theory which explains that an increase in dividend payments gives a signal that the company shows good profit prospects so that investors will respond positively and the value of the company will increase. The greater the proportion of shareholders receiving dividends, the better the value of the company. The results of this study are supported by previous research conducted by (Nugroho, 2016; Sintyana & Artini, 2018; Dewi & Astika, 2019) which states that dividend policy has a significant positive effect on firm value. However, the results of this study contradict research conducted by (Abidin et al., 2014; Meidiawati & Mildawati, 2016; Sualehkhattak & Hussain, 2017) where dividend policy has no significant effect on firm value.

The Effect of Profitability on Firm Value

The result showed that the probability value of ROA was less than 0.05 on both PBV and Tobin’s Q. (0.0018 and 0.0133 < 0.05) indicating that profitability has a positive and significant effect on firm value.

The results of this study are in line with the signal theory where when profitability increases, it is considered a signal to investors that the company has good prospects. One of the important indicators for investors in seeing the prospects of a company is to see how far the company's profit growth is. High profitability will reflect the company's ability to generate high profits for shareholders. Therefore, a high profitability ratio will make the company have more value, and attract investors to invest in the company. This has an impact on increasing the value of the company. The results of this study are in line with research conducted by (Fatimah et al., 2020; Pratama & Wirawati, 2016; Pramana & Mustanda, 2016) which shows that profitability has a significant positive effect on firm value. However, the results of this study contradict the results of research conducted by (Priyanto, 2016; Ukhriwayati & Malia, 2018; Bagaskara et al., 2021) showing that profitability has no effect on firm value).

The Effect of Capital Structure on Firm Value

The result showed that the probability value of DER was more than 0.05 on both PBV and Tobin’s Q. (0.4700 and 0.2041 > 0.05) indicating that profitability did not affect firm value.

The results of this study are not in line with a signal theory which states that companies with profitable prospects will try to avoid selling shares and seek new capital in other ways, namely by using debt. However, this theory does not explain that the use of debt is a source of high-risk financing. After reaching the maximum point, the use of debt by the company becomes unattractive because the company must bear agency costs, interest costs, and bankruptcy costs.

Although debt financing in the capital structure has several positive benefits, such as an interest tax shield and a reduction in the cost of capital issued by the company, these benefits are too small to affect the value of the company, at least significantly. The size of debt is also
not the only factor that influences investors' decisions to invest, but there are other factors that investors consider. This is because what concerns investors is not the level of debt, but how the company manages these sources of funds to achieve maximum profits that can increase the prosperity of shareholders. No effect on the level of debt on the value of the company should be able to encourage the company to better manage the funds owned by the company. These results are in line with research conducted by (Meidiawati & Mildawati, 2016; Utomo & Christy, 2017; Nasrun & Adi, 2021) which shows that there is no effect between capital structure and firm value. However, the results of this study contradict research conducted by (Adenugba et al., 2016; Dewi & Astika, 2019; Deli & Kurnia, 2017) which states that capital structure has a positive and significant effect on firm value.

The Effect of Liquidity on Firm Value

The result showed that the probability value of CR using PBV and Tobin’s Q was more than 0.05 (0.9738 and 0.6566 > 0.05) indicating that CR partially has no significant effect on firm value in a negative direction. The results of this study contradict the signal theory that explains that the more liquid a company is, the more valuable it is for investors. A high current ratio may indicate that the company has a lot of money in unprofitable assets such as surplus cash and securities. High liquidity does not necessarily increase the value of the company because there are unused assets that management does not use to carry out business activities to generate profits for the company, which is negative for investors. It is recognized as a signal. Investors tend to prefer to use the funds available to fund the operation of the company, rather than the company being held in the form of cash or stock. As a result, investors tend to look negatively at a company if it is not using it and is saving a lot of money. The results of this study are consistent with studies showing that liquidity has a significant negative impact on corporate value (Thaib & Dewantoro, 2017; Dewiningrat & Mustanda, 2018; Dewi & Ekadjaja, 2020). In contrast to the survey by (Lumentut & Mangantar, 2016; Fatimah et al., 2020; Oktrima, 2017), liquidity does not affect firm value.

The Effect of Firm Size on Firm Value

The result showed that the probability value of SIZE was more than 0.05 on both PBV and Tobin’s Q. (0.1257 and 0.1201 > 0.05) indicating that firm size did not affect firm value. This kind of relationship indicates that the amount of assets owned by a company does not necessarily indicate the effectiveness and efficiency of management in their use. A large company size does not necessarily guarantee a company is effective and efficient in managing its assets to generate profits that will have an impact on investors. Therefore, investors do not use the size of a company in assessing the company. Suwardika & Mustanda (2017) explained that in assessing a company, investors will not look at the size of the company which is reflected in the total assets owned by the company. However, investors will pay more attention to various aspects such as paying attention to the company's performance as seen in the company's financial statements, the company's good name, and the company's overall policies before deciding to invest their funds in the company. The results of this study are in line with research conducted by (Yuslirizal, 2017; Sintyana & Artini, 2018; Fatimah et al., 2020) which shows that firm size has no effect on firm value. However, the results of this study contradict the
research conducted by (Pramana & Mustanda, 2016; Astuti & Yadnya, 2019; Yanti & Damayanti, 2019) which shows that firm size has a positive effect on firm value.

CONCLUSION

This study aims to determine the effect of dividend payout ratio, profitability (ROA), capital structure (DER), liquidity (CR), and firm size on firm value. This study uses a sample of manufacturing companies listed on the IDX during 2016-2019 period. The following are the conclusions obtained in this study.

1) Dividend payout ratio proxied by DPR and Tobin’s Q has positive and significant effect on firm value according to both PBV and Tobin’s Q model.
2) Profitability as proxied by ROA has a positive and significant effect on firm value according to both PBV and Tobin’s Q model;
3) Capital structure has no significant effect on firm value according to both PBV and Tobin’s Q model;
4) Liquidity has no significant effect on firm value according to both PBV and Tobin’s Q model; and
5) Firm size has no significant effect on firm value according to both PBV and Tobin’s Q model.

REFERENCES


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