

## The Effect of Financial Performance on the Value of the Company with Dividend Policy as a Moderation Variable in Pharmacy Companies Listed on the IDX

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### ABSTRACT

The surge in demand for supplements, vitamins, and herbal medications that enhance endurance during a pandemic has resulted in a substantial boost in earnings for pharmaceutical businesses. The objective of this study was to assess the impact of financial performance, as measured by profitability, leverage, and liquidity indicators, on company value, while considering dividend policy as a moderating factor. The research employed purposive sampling, which involved selecting research samples based on certain criteria. The research employed Moderated Regression Analysis (MRA) with the assistance of the SPSS tool. The findings indicate that the factors of profitability, leverage, liquidity, and dividend policy have a simultaneous impact on the value of the organization. Profitability can somewhat contribute to and have a substantial impact on company value, but leverage and liquidity do not contribute to and have a large impact on firm value. Furthermore, the dividend policy has the power to mitigate the impact of profitability, leverage, and liquidity on the overall value of a corporation.

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## **INTRODUCTION**

The abrupt onset of the COVID-19 epidemic in Indonesia had a significant impact on the economy. The COVID-19 epidemic has necessitated the government to promptly make arrangements for the production and dissemination of medications to the general population. Undoubtedly, the robustness of the domestic pharmaceutical industry is essential for maintaining the overall health of the nation. Nevertheless, the COVID-19 pandemic has had both beneficial and bad effects on several sectors. One area that has seen a favorable influence is the consumer products business, namely the pharmaceutical firms within it.

The presence of pharmaceutical businesses undoubtedly provides several advantages to individuals in need, particularly during a pandemic, such as medical facilities and healthcare institutions. Pharmaceutical companies in the sector possess the capacity to exploit natural resources that are relevant to their operations. However, the pharmaceutical industry in Indonesia remains heavily reliant on imported raw materials, accounting for 70% in 2016 and projected to rise to 95% in 2021. This dependence stems from the escalating demand for medicines caused by the ongoing COVID-19 pandemic. The website is [jabarprov.go.id](http://jabarprov.go.id).

The firm's worth is a reflection of the open value of its shares, which can serve as an indicator of investor interest in allocating cash to the company. Company value also include the company's capacity to distribute dividends to its shareholders. If the firm achieves strong success, it will generate substantial earnings, resulting in correspondingly big dividends distributed to shareholders.

The company's worth saw swings between 2015 and 2021. The drop in share prices directly affects the value of the firm. Hence, corporations must employ many tactics to ensure a continuous growth in sales and share prices, thereby enhancing the overall worth of the organization. A company's worth might be considered favorable if it demonstrates strong performance and effectively maximizes earnings. The company's substantial worth will lead to success for its stockholders.

Profitability refers to a company's capacity to generate profits by utilizing the assets it has in its business activities. In this study, researchers utilize the Return on Assets (ROA) metric to assess profitability. This ratio quantifies the percentage of profit generated by the organization in relation to its total assets. Greater ROA values attract greater investor interest in the firm. The company's worth will be positively influenced by the growing interest from investors. Research examining the impact of profitability, as measured by Return on Assets (ROA), on company value has yielded contrasting conclusions. According to a study conducted by Rochmah et al. (2017), profitability has a significant influence on company value. However, Puspitaningtyas (2017) found that changes in profitability from one year to another do not affect the corresponding changes in company value, suggesting that profitability has no impact on company value. Profitability does not exert a substantial impact on the value of a firm, as the rise in the variable representing company value is impacted by other factors (Hirdinis, 2019).

A company's leverage, which refers to its level of debt, indicates the company's capacity to meet its financial responsibilities, including both immediate and long-term commitments. It may also be understood as indebtedness, which quantifies the correlation between overall debt and overall economic activity. The researchers in this study quantified leverage by computing the debt-to-equity ratio (DER), a metric employed to assess a company's financial standing. This ratio is a measure of the company's capacity to settle its debts using its capital. If the debt-to-equity ratio increases, the profit reported to shareholders decreases. On the other hand, if the debt-to-equity ratio decreases, the profit obtained by shareholders increases. According to Rindraputri's (2019) research findings, leverage has a substantial impact on the value of a firm. High leverage indicates promising future possibilities as it ensures the firm's cash flow remains stable, enabling smooth operation of cash circulation within the organization. Research conducted by Rochmah et al. (2017) indicates that there is a positive correlation between leverage value and the risk of bankruptcy for a firm. Therefore, it can be concluded that leverage does not have a significant impact on the value of a company.

Liquidity refers to a company's capacity to meet its immediate financial commitments by utilizing its existing assets. As a corporation's liquidity increases, the likelihood of the company being unable to satisfy its short-term commitments decreases. In this study, researchers assess liquidity by computing the current ratio (CR), which gauges the company's capacity to fulfill its current obligations using its current assets. A high liquidity value, as measured by the current ratio (CR), indicates that the firm is capable of meeting its short-term obligations. This is seen as a positive performance indicator by investors, making the company more attractive for investment. The findings of studies done by Mery (2017) and Raindraputri (2019) indicate that liquidity has a substantial influence on the value of a firm. This is because a higher cash capacity enables the company to better meet its short-term financial obligations. However, as per Aliffia's (2021) findings, liquidity does not exert a substantial impact on the value of a corporation. This is due to the fact that not fulfilling commitments might result in corporate insolvency. Any augmentation in debt will diminish the worth of the organization. When there is a significant amount of debt, the credit that will be distributed will also be substantial. Despite the substantial loan issued, it will provide profits for the firm. However, there is a significant risk that the debt may not be collected, resulting in a loss in the company's worth.

In the analysis of the research findings regarding the three variables mentioned, the researcher hypothesizes the presence of additional factors that may impact company value. Consequently, the researcher introduces the dividend policy variable as a moderating variable, which is believed to either enhance or diminish the association between profitability, leverage, and liquidity with company value. The dividend policy is employed as a moderating variable to optimize the company's value by prioritizing the interests of shareholders. Shareholders will also appreciate strong financial performance, which is shown by profitability, leverage, and liquidity. A

positive response is seen by a surge in demand for corporate shares and an uptick in company valuation.

According to Mery (2017), the impact of dividend policy on business value is influenced by the level of liquidity. When liquidity is high, dividend policy may enhance company value, however when liquidity is low, dividend policy can decrease company value. Therefore, the relationship between liquidity and dividend policy has a significant effect on company value. The use of dividend policy as a moderating variable is found to have no meaningful impact on the link between liquidity and company value. This condition also demonstrates that dividend payments have a detrimental effect on bank liquidity. This is because when cash dividends are paid, the bank discharges significant quantities of cash. Thus, the outcomes of the test on the moderating variable indicate a statistically negligible and negative impact (Firmansyah, 2019).

The implementation of a dividend policy can effectively mitigate excessive leverage, instilling more shareholder confidence in the firm's ability to consistently provide dividends without the risk of bankruptcy stemming from excessive debt. Consequently, this enhances the overall value of the company. The firm's dividend policy has the effect of increasing debt, which in turn impacts the overall value of the company. Consequently, the dividend policy undermines the correlation between leverage and company value (Mery, 2017). The firm's dividend policy is designed to attract shareholders and enhance profitability and company value. Therefore, the dividend policy serves to reinforce the correlation between profitability and company value (Mery, 2017). The fluctuating profits of the company from the previous year have not had an impact on the rise and fall of the company's value. However, this does not provide evidence for the signaling theory, which suggests that high profits indicate promising future prospects for a company. Consequently, the dividend policy is unable to moderate the influence of profitability on the company's value.

## LITERATURE REVIEW

### *The company's valuation*

Firm value refers to the price at which potential purchasers can purchase the firm or the price that investors are willing to pay for it. This value is often assessed using the Price to Book Value Ratio (PBV). Firm value refers to the total market value of both debt and equity securities that are currently in circulation (Keown et al., 2004). Company value is a measure of a company's performance based on the market price of its shares. In the event of a rise in the share price, the company's overall worth will correspondingly grow. Enhancing the firm's worth might also heighten investors' inclination to invest cash in the company as it signifies promising future possibilities and the potential for substantial stock returns (Nugroho, 2014).

### *Profitability*

The profitability ratio assesses the company's capacity to make profits and quantifies the degree of operational efficiency in utilizing its assets. In the corporate world, the focus on profitability outweighs the emphasis on profits

alone. This is because generating substantial profits does not necessarily indicate efficient operations. Therefore, efficiency can be better assessed by comparing profits or calculating the level of profitability (Hariyawan, 2017). Profitability ratios offer advantages to.

### *Leverage*

Leverage, namely in the form of debt, may also be understood as solvency. Solvency refers to the utilization of external financing by organizations to meet their funding requirements (Nuha et al., 2017). Leverage is commonly represented by the debt-to-equity ratio (DER), which indicates the proportion of total debt to equity. When deciding whether to employ debt, it is important to take into account the significant interest expenses that come with it. These expenses can lead to higher levels of financial difficulty and create uncertainty about the returns for investors. Undoubtedly, investors do not anticipate such an outcome, which might adversely affect the company's valuation. Excessive debt usage poses a significant risk to the firm as it can lead to excessive leverage, when the company becomes heavily burdened by a high amount of debt and struggles to alleviate this financial strain.

### *Liquidity*

The liquidity ratio refers to the risk faced by a firm when it is unable to meet its short-term obligations, leading to disruptions in its usual operations (Fahmi, 2017). As the firm's debt increases, the risk to its owner also increases. Consequently, the owner will demand a higher level of profit to ensure that the company is not at risk of being forced to sell off its assets. If the corporation is capable of promptly settling its financial obligations, it can be deemed to be in a solvent state and has current assets that exceed its current liabilities.

### *Dividend Policy*

Dividends refer to the allocation of earnings to shareholders based on their share ownership (Purnomo et al., 2017). Companies that are capable of offering substantial dividends will earn the confidence of investors. A high dividend yield will incentivize investors, leading to a surge in demand for shares. Dividend policy refers to the strategic choice made by a corporation to either reinvest its earnings generated from its operations or distribute them to its shareholders. Essentially, a company's dividend policy serves as a mechanism for conveying information to the market and shareholders about the company's financial state. The dividend policy of a corporation provides visibility to the market and shareholders about its financial state and future prospects.

### *The Relationship between Profitability and Company Value*

This measure helps determine how efficiently a company utilizes its assets for operational operations (Beriwisnu et al., 2017). Signaling theory suggests that a company's strong profitability is a positive indicator of its future possibilities. This, in turn, might lead to a favorable response from investors and perhaps boost the company's worth. If the firm achieves a high corporate

valuation, it will be able to attract investor attention and subsequently see a rise in demand, leading to a further growth in its worth.

For this investigation, the scholars employed the profitability ratio, namely the return on assets (ROA), as a metric. A study conducted by Aliffia in 2021 demonstrates that profitability has a substantial impact on the value of a firm, as measured by the Price-to-Book Value (PBV) ratio. There is a direct link between a company's profitability and its value, meaning that as profitability increases, so does the company's value. The reason for this is that strong profits serve as a reliable indicator of the company's promising future prospects. Investors view these earnings as a guarantee of receiving a return on their shares, which in turn stimulates their interest in purchasing more shares and increases the demand for them. If there is a rise in demand for firm shares, the value of the company will likewise grow. Based on the description provided, the following hypothesis may be inferred:

H1: Profitability is believed to have the potential to enhance the value of a firm

### ***The relationship between Leverage and Company Value***

Leverage, specifically debt leverage, quantifies the relationship between the entire amount of debt and the total value of assets. When a firm relies more heavily on debt to fund its assets, it has a greater impact on asset management (Antoro et al., 2018). Leverage occurs when companies seek to fulfill their daily operational requirements by utilizing assets and sources of funds, resulting in fixed expenses such as depreciation costs from fixed assets and interest costs from debt. Additionally, leverage has the potential to enhance returns or income for both the company and its shareholders. The leverage ratio employed in this study is based on the debt-to-equity ratio (DER), which quantifies the extent of debt in the firm and the lender's stake in the company's ownership rights (Santoso, 2018). Shareholders closely scrutinize a company's debt levels as they prioritize the effective and efficient utilization of funds by company management to enhance the company's value. Consequently, leverage has a substantial adverse impact on the company's value (Rochmah, 2017). Based on this description, the subsequent hypothesis is derived:

H2: It is hypothesized that leverage will have no impact on the overall worth of the firm.

### ***The relationship between liquidity and company value***

The liquidity ratio represents the company's capacity to promptly settle its short-term liabilities. Adequate oversight is necessary to ensure the company's operations and processes run smoothly, with the objective of preventing any instances of fraud or misconduct by personnel. Liquidity is a metric used to assess a company's capacity to meet its immediate financial commitments. A corporation with increased liquidity has a reduced chance of being unable to meet its short-term obligations, hence decreasing the likelihood of collapse. The current ratio (CR) is used to determine liquidity. The current ratio (CR) is a quantitative measure that compares the entire value of current assets to the whole value of current liabilities (current assets minus current liabilities). If the firm successfully achieves its short-term objectives, there will be a substantial

surge in demand for its shares, leading to an increase in share prices and a subsequent enhancement in the overall worth of the company.

Mery (2017) conducted research on the impact of liquidity on business value and found that liquidity has a favorable influence on firm value. Raindraputri (2019) conducted research on the impact of liquidity on the value of companies. Companies with substantial liquidity possess significant internal funds, enabling them to finance investments using these funds before resorting to external debt financing. Liquidity serves as an indicator of a company's ability to do so. Provided that there are sufficient money to cover dividends, finance company operations, and investments, this would enhance shareholders' view of business success, so demonstrating that liquidity has a favorable and substantial impact on company value. From this description, we have derived the following hypothesis:

H3: Liquidity is believed to have the potential to enhance the value of a firm.

### ***The Relationship between Dividend Policy Moderating Profitability and Company Value***

Dividend policy refers to a strategic framework that guides the decision-making process for distributing dividends. The company's profitability is directly linked to its capacity to provide dividends to shareholders. Significant dividends have the potential to enhance the overall worth of a firm. Profitability refers to a company's capacity to create profits and assess the degree of operational efficiency in utilizing its assets (Hirdinis, 2019).

The company's profitability will be contingent upon its capacity to distribute dividends to shareholders. A high dividend payment ratio (DPR) enhances the impact of business value, allowing the dividend policy to effectively mitigate the effects of profitability on company value (Raindraputri, 2019). The firm's dividend policy is designed to attract shareholders and enhance profitability and company value. Therefore, the dividend policy serves to reinforce the correlation between profitability and company value (Mery, 2017). From this description, we have derived the following hypothesis:

H4: There is a suspicion that Dividend Policy has the power to attenuate the impact of Profitability on Company Value.

### ***The Relationship between Dividend Policy Moderating Leverage on Firm Value***

Leverage refers to the company's capacity to use borrowed funds to finance its assets. Increased debt levels correspond to increased risk, necessitating cautious management decisions about its utilization. Shareholders may take the usage of debt as an indication of the company's capacity to fulfill its future financial obligations. The firm's dividend policy increases its debt, which in turn impacts the company's value. Consequently, the dividend policy undermines the correlation between leverage and company value (Mery, 2017).

Mery (2017) conducted research on how dividend policy might moderate the impact of leverage on business value. The presence of a dividend policy does not have the ability to moderate the impact of leverage on the value of a company. Specifically, when leverage is low, dividend policy cannot enhance

the value of the company, and when leverage is high, dividend policy cannot diminish the value of the company. Therefore, the moderation of leverage by dividend policy does not have any effect on the value of the company. From this description, we have derived the following hypothesis:

H5: There is a suspicion that the Dividend Policy is incapable of mitigating the impact of Leverage on the Value of the Company.

### ***The Relationship between Dividend Policy Moderating Liquidity and Company Value***

Liquidity refers to a company's capacity to promptly meet its immediate financial commitments and clear its short-term debts (Thaib and Acong, 2017). A corporation with a high degree of liquidity possesses the capacity to meet its short-term obligations. In order to meet immediate financial requirements, these outcomes are derived from easily convertible assets, such as current assets with a turnover period of less than one year.

Mery (2017) conducted research on how dividend policy might moderate the impact of liquidity on business value. The impact of dividend policy on business value is contingent upon the level of liquidity. Specifically, when liquidity is high, dividend policy has the potential to enhance company value. Conversely, when liquidity is low, dividend policy has the potential to diminish company value. Therefore, the influence of liquidity on company value is mediated by dividend policy. The value of a firm can lead to financial success for shareholders if the company possesses sufficient cash that can be delivered to shareholders in the form of dividends. If a firm is capable of meeting its immediate financial commitments, it is seen to be a liquid company. In such cases, the company's value is expected to be favorable. Consequently, the dividend policy can enhance the impact of liquidity on the company's value (Raindraputri 2019). From this description, we have derived the following hypothesis:

H6: There is a suspicion that the Dividend Policy has the ability to reduce the impact of Liquidity on the Value of a Company.

## **METHODOLOGY**

This study employs a quantitative methodology, focusing on a population of 11 pharmaceutical businesses that were listed on the IDX (Indonesia Stock Exchange) between 2015 and 2021. The sample for this study was established using a purposive sampling strategy, based on certain criteria. As a result, the research sample consisted of 5 pharmaceutical businesses that were registered on the IDX between 2015 and 2021. The data source employed utilizes secondary data, meaning that the data collected is not provided directly to the data collector. The research sample for this study consisted of yearly financial reports from each pharmaceutical sector business, spanning the years 2015 to 2021. The data analysis method employed in this study involved the use of moderate regression analysis (MRA) and was assessed using SPSS 26 software.

## **RESEARCH RESULT**

### ***Moderated Regression Analysis (MRA)***

Moderated Regression Analysis (MRA) is a statistical technique used to examine the relationship between a dependent variable and one or more independent variables, while also considering the influence of a third variable known as a moderator.

Moderated Regression Analysis (MRA) is a statistical technique used to analyze panel data by incorporating moderating variables. In this model, the regression equation includes a multiplicative interaction term between two or more independent variables. The research incorporates dividend policy (Z) as a moderating variable, which will influence the link between liquidity, leverage, profitability, and firm value. The subsequent calculation outcomes are inputted into the multiple linear regression equation in the subsequent manner:

**Table 1. Moderated Regression Analysis (MRA) Result**  
Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	7,154	2,379		3,007	,006
	ROA (X1)	,349	,053	2,674	6,651	,000
	DER (X2)	-,020	,028	-1,244	-	,013
	CR (X3)	-,014	,005	-1,242	2,694	,014
	DPR (Z)	,175	,030	2,701	5,791	,000
	X1*Z	,002	,001	1,847	3,578	,001
	X2*Z	-,001	,000	-1,821	-3,661	,001
	X3*Z	-,003	,001	-2,397	-3,878	,001

Dependent Variabel: PBV (Y)

Source: Data processed

From the results of data processing, the following equation can be drawn:

$$Y = 7,154 + 0,349 X_1 - 0,020 X_2 - 0,014 X_3 + 0,002 X_1Z - 0,001 X_2Z - 0,003 X_3Z + e$$

The regression equation obtained using the interaction approach may be stated as follows: (a) A constant value of 7.154 signifies that when the variables profitability, liquidity, leverage, and all moderating interactions remain at zero or remain constant, the firm value is precisely 7.154; (b) The coefficient value of ROA is 0.349, indicating a unidirectional relationship between ROA and PBV. This implies that for each incremental unit of profitability, the company's value rises by 0.349 units. Conversely, assuming that the remaining independent variables of the regression model stay constant; The coefficient value of DER is -0.020, indicating a consistent relationship between DER and PBV. For each incremental unit of leverage, there is a corresponding fall of 0.020 units in the company value variable. Conversely, assuming that the remaining independent variables of the regression model stay constant; The CR coefficient value is -0.014, indicating a consistent shift between CR and PBV in one direction. For each incremental unit of liquidity, the corresponding variable for company

value reduces by 0.014 units. Conversely, assuming that the remaining independent variables of the regression model stay constant; The X1Z moderation coefficient has a value of 0.002, indicating a directional shift between the X1Z and Y modes. This implies that a one-unit increase in moderation between profitability and the dividend policy results in a 0.002 unit rise in the firm value variable. Conversely, assuming that the remaining independent variables of the regression model stay constant; The moderation coefficient value refers to the extent to which one independent variable affects the relationship between another independent variable and the dependent variable in a regression model, while holding all other independent variables constant. The value of the moderation coefficient. Conversely, assuming that the other independent variables in the regression model stay constant.

### ***Classic Assumption Test Results***

The classical assumption test involves the application of various tests, including the normality test, multicollinearity test, autocorrelation test, and heteroscedasticity test. The subsequent findings pertain to the evaluation of the classical assumption test employed in this study:

#### ***Normality Test***

The normality test is employed to assess whether the data in this research has a normal distribution or not. There are two methods to ascertain if the data follows a normal distribution: use statistical analysis and graphical analysis.

The results of the Kolmogorov-Smirnov test indicate that the significance level of 0.200 is higher than the threshold of 0.05 ( $0.200 > 0.05$ ). This indicates that the regression model follows a normal distribution. In addition, the normality test can be conducted by graphical analysis, assuming that the data is clustered closely around the diagonal point, indicating a normal distribution.

The P-Plot analysis indicates that the normality test in this study exhibits a P-Plot graph that demonstrates a normal distribution of the data. The distribution points are observed to be in close proximity to the diagonal line. Therefore, it may be concluded that the normalcy assumption has been satisfied and can be further studied.

#### ***Multikolinearity Test***

The presence of multicollinearity in this study was assessed by examining the tolerance and VIF values. The study investigation found no evidence of multicollinearity in the independent variables (ROA, DER, CR, and DPR) based on the findings of evaluating the basic assumptions of multiple linear regression analysis. The Variance Inflation Factor (VIF) for the independent variable is below 10. Multicollinearity occurs when the value of the Variance Inflation Factor (VIF) exceeds 10.

#### ***Autocorrelation Test***

This study used the Durbin - Watson Test (DW test) to ascertain the presence or absence of autocorrelation. The subsequent data presents the outcomes of the Durbin - Watson test (DW Test):

**Table 2. Autocorrelation Test Results**

Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,833 <sup>a</sup>	,694	,654	1,222576	1,799

a. Predictors: (Constant), DPR (Z), DER (X2), CR (X3), ROA (X1)

b. Dependent Variabel: PBV (Y)

Source: Data processed

Table 2 shows that the Durbin - Watson result is 1.799, which means there is no autocorrelation because it is between -2 and +2.

### *Heteroscedasticity Test Results*

The scatterplot provides a visual representation of the data obtained from the heteroscedasticity test. The scatterplot test findings indicate that there is no discernible pattern, and the data points are evenly distributed above and below 0 on the Y axis (representing business value). Therefore, it may be inferred that this research does not exhibit heteroscedasticity.

### *Hypothesis test*

#### *F- Test*

The following are the results of the calculation of the F value obtained, as seen in the ANOVA table:

**Table 3. F Test Result**

ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	117,236	7	16,748	96,018	,000 <sup>b</sup>
	Residual	4,709	27	,174		
	Total	121,946	34			

a. Dependent Variabel: PBV (Y)

b. Predictors: (Constant), X3\*Z, X2\*Z, ROA (X1), DPR (Z), DER (X2), CR (X3), X1\*Z

Source: Data Processed

The F test findings indicate that the significance value (Sig.) is 0.000, which is less than the threshold of 0.05. The multiple regression analysis technique utilized in this study model is deemed adequate and reasonable, with a significance level of 0.000.

### *Coefficient of Determination Test Results (R2)*

The determination analysis in linear regression is employed to ascertain the proportionate impact of the collective influence of the independent variables on the dependent variable. The subsequent data presents the

outcomes of the Coefficient of Determination examination conducted in this study:

**Table 4 R-Square Test Results**

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,981 <sup>a</sup>	,961	,951	,41764

a. Predictors: (Constant), X3\*Z, X2\*Z, ROA (X1), DPR (Z), DER (X2), CR (X3), X1\*Z

Sources: Data Processed

The results of the coefficient of determination test are presented in Table 4. The R square value obtained in this investigation was 0.951, which corresponds to 95.1%. The analysis reveals that the variables of profitability, leverage, liquidity, and dividend policy contribute as moderating factors in explaining 95.1% of the firm value variable. Meanwhile, the remaining 4.9% can be attributed to other variables that were not included in the analysis.

**T test**

The following are the results of the Hypothesis test (t test) in this research:

**Table 5. T test Result**

Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	7,154	2,379		3,007	,006
	ROA (X1)	,349	,053	2,674	6,651	,000
	DER (X2)	-,020	,028	-1,244	-	,013
	CR (X3)	-,014	,005	-1,242	-2,643	,014
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	X2*Z	-,001	,000	-1,821	-3,661	,001
	X3*Z	-,003	,001	-2,397	-3,878	,001

a. Dependent Variabel: PBV (Y)

Sourc: Data Processed

The findings of hypothesis testing from Table 5 above allow for the following conclusions to be made: (a) The results of testing the initial hypothesis indicate that the regression coefficient has a positive value and the level of significance for profitability is 0.000. The inequality  $0.000 < 0.05$  indicates that the alternative hypothesis ( $H_1$ ) is supported. Profitability exerts a favorable and substantial impact on the value of a firm. (b) The testing of the second hypothesis reveals a negative regression coefficient value and a

significance level of 0.013 for leverage. The inequality  $0.013 < 0.05$  indicates that there is sufficient evidence to support the claim that H<sub>2</sub> is true. These findings indicate that leverage has a detrimental and substantial impact on firm value. Additionally, the analysis of the third hypothesis reveals that the regression coefficient value is negative and the liquidity has a significance level of 0.014. The inequality  $0.014 < 0.05$  indicates that H<sub>3</sub> has been established. Consequently, the presence of liquidity has a detrimental and substantial impact on the overall worth of a corporation. (d) The testing of the fourth hypothesis reveals that the significance value for the moderating effect of natural dividend policy on profitability is 0.001. The inequality  $0.001 < 0.05$  indicates that H<sub>4</sub> has been demonstrated to be true. Dividend policy has the capacity to mitigate the impact of profitability on the value of a firm. The testing of the fifth hypothesis reveals that the significance value for the moderating effect of natural dividend policy on leverage is 0.001. The inequality  $0.001 < 0.05$  indicates that there is insufficient evidence to support the hypothesis H<sub>5</sub>. Dividend policy has the capacity to mitigate the impact of debt on the value of a firm. (f) The findings of testing the sixth hypothesis indicate that the significance value for the moderating effect of natural dividend policy on profitability is 0.001. The inequality  $0.001 < 0.05$  indicates that H<sub>6</sub> has been confirmed. Dividend policy has the capacity to mitigate the impact of liquidity on the value of a firm.

## DISCUSSION

### *The Influence of Profitability on Company Value*

According to the results of hypothesis testing, profitability has a substantial impact on the value of pharmaceutical sector companies listed on the Indonesian Stock Exchange from 2015 to 2021. A positive influence suggests that an increase in profitability will lead to a corresponding increase in the company's value. In contrast, a reduction in profitability will lead to a corresponding decline in the company's value. The research results have a substantial impact since they directly affect the profitability of pharmaceutical businesses, which in turn affects the return on investment for investors. Pharmaceutical firms saw significant financial gains during the research period due to the high demand for medicines among the Indonesian population. This served as a favorable indication for investors, suggesting that the companies were in a lucrative state.

This can enhance investors' confidence in allocating their capital to the company, resulting in an upward trajectory of the company's share price and a subsequent growth in the company's overall worth. This research aligns with the proposed theory (Beriwisnu and Maswar, 2017) that defines profitability as a company's capacity to generate net profits relative to its asset base. It aims to assess the efficiency of the company in utilizing its assets for operational activities.

### *The Effect of Leverage on Company Value*

According to the findings of hypothesis testing, it has been determined that leverage does not have a substantial impact on the value of pharmaceutical

sector companies listed on the Indonesia Stock Exchange from 2015 to 2021. The absence of impact suggests that a rise in leverage will result in a fall in the company's value. In contrast, a decrease in leverage will result in a rise in the company's value. The notable impact arises from pharmaceutical businesses strategically leveraging their debt to convey positive signals to investors, indicating their confidence in the company's future prospects and hoping that investors will interpret and respond to this signal accordingly. Debt might serve as a more dependable indicator for company managers to communicate with investors. Excessive debt can erode investor trust in the company's profitability and create apprehension about investing, resulting in a subdued market response. The utilization of debt by a pharmaceutical firm can serve as an indication or indication to investors that the value of shares exceeds the value reported on the company's balance sheet, leading to an increase in their appreciation. This research aligns with Fahmi's (2017) thesis, which asserts that corporations should achieve debt equilibrium by evaluating the value of each debt and identifying suitable sources for debt repayment.

### ***The Effect of Liquidity on Company Value***

According to the findings of hypothesis testing, the level of liquidity does not have a substantial impact on the value of pharmaceutical sector companies that are listed on the Indonesia Stock Exchange between the years 2015 and 2021. The absence of impact suggests that an increase in liquidity will result in a drop in the company's value. In contrast, a drop in liquidity will result in an increase in the company's worth. The study results have a substantial impact as they enable the company to effectively meet its duties, indicating its success. The firm's value can be impacted by this; if the company is able to fulfill its commitments effectively, the share price will rise, resulting in an overall increase in the company's worth. Conversely, if the company is ineffective in controlling its short-term debt, its share price would decline, so affecting the overall worth of the organization. According to Fahmi's (2017) theory, the liquidity ratio represents the risk faced by a company when it is unable to meet its short-term obligations. This can disrupt the company's operations and prevent them from functioning normally.

### ***The Effect of Dividend Policy Moderating Profitability on Company Value***

The results of hypothesis testing indicate that dividend policy has the ability to limit the impact of profitability on the value of pharmaceutical sector companies listed on the Indonesia Stock Exchange from 2015 to 2021. The dividend policy serves as a signal for investors to evaluate the quality of a firm. Dividend policy can impact the company's value. The research results demonstrate a notable correlation between high dividends and high share prices, indicating that companies with high dividend payouts also likely to have high overall value. Nevertheless, distributing dividends to minor owners will lead to a decrease in the company's stock price. Therefore, substantial dividends will enhance the overall worth of the organization. This demonstrates that an increase in dividends leads to an increase in the value of the firm. This is because higher dividends enhance the company's external

funds, which in turn improves its ability to generate profits and ultimately raises its overall value.

### *The Effect of Dividend Policy Moderating Leverage on Company Value*

The results of hypothesis testing indicate that dividend policy has the ability to reduce the impact of leverage on the value of pharmaceutical sector companies listed on the Indonesia Stock Exchange from 2015 to 2021. The notable findings indicate that this is due to the company's adept management of its debt levels, which in turn impacts dividend distribution and enhances the overall worth of the company. This indicates that the presence of a dividend policy can serve as a reliable indicator, as preferred by shareholders. This reduces managers' opportunities to invest using company funds. Companies should aim to reduce their reliance on debt in order to preserve future cash flow. Reducing the company's debt enables control over its cash flow, as organizations that borrow money need to repay interest and loan principal using their available cash.

Managers can prevent waste and unnecessary investment by following this. This indicates that the organization is proficient in managing its cash flow and effectively allocating these resources towards productive endeavors. Hence, investors presume that the company prioritizes the well-being of its shareholders, thereby enticing them to invest their shares in the company. Consequently, the demand for shares will surge, leading to a rise in the company's share price, which in turn signifies an augmentation in the company's overall worth.

### *The Effect of Dividend Policy Moderating Liquidity on Company Value*

According to the findings of hypothesis testing, the dividend policy has the ability to limit the impact of liquidity on the value of pharmaceutical sector companies listed on the Indonesia Stock Exchange from 2015 to 2021. Companies prioritize distributing dividends, which has an impact on their liquidity and diminishes their overall value. The presence of a dividend policy can negatively affect investor perception due to its impact on the company's liquidity. Prior to anything else, the corporation must possess the capability to settle its immediate financial obligations using its owned assets, such as its cash reserves. As is often understood, liquidity refers to the availability of cash. This cash is then dispersed to shareholders in the form of dividends. Increasing cash outflows will decrease the company's liquidity. Insufficient liquidity can diminish the worth of a firm if it becomes incapable of settling its financial obligations while still distributing dividends to its shareholders.

## **CONCLUSIONS AND RECOMMENDATIONS**

As the company's profits increase, so does its value. In addition, the more effectively a firm manages its long-term and short-term debt financing, the less likely it is to face bankruptcy. Therefore, if the company reduces its leverage and improves its liquidity, its value will increase. Researchers propose that pharmaceutical businesses enhance their operational performance to

maximize returns from their assets, thereby attracting potential investors for extra funding. This is advantageous for enhancing the overall worth of the organization. It is important for companies to preserve their leverage value. A corporation is considered financially sound when its Debt-to-Equity Ratio (DER) is below 1 (100%). A low DER signifies that the company's debts and liabilities are smaller in value compared to its total assets. Debt can diminish the net profit and ultimately decrease the company's overall profitability. This might undermine investor trust in the company, leading to a decline in the company's value. In addition, it is important for organizations to uphold the current ratio (CR) value in order to ensure its stability. A corporation with a CR number above 1 demonstrates a strong capacity to settle short-term liabilities. Nevertheless, a CR number exceeding 3 does not necessarily indicate that the company is in a favorable state. The corporation may not be effectively and efficiently utilizing its current assets and may have poor capital management.

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