The Effect of Profitability and Deviden Policy on Company Value (Case Study in the Healthcare Sector Listed on the Indonesia Stock Exchange 2019-2023)

Firda Maulani Lestari[1][*], Yayat Supriyatna[2], Maya Sari[3]
[1]FPEB, Universitas Pendidikan Indonesia, email: firdamaulanilestari8@upi.edu
[2]FPEB, Universitas Pendidikan Indonesia, email: yayat_supriyatna@upi.edu
[3]FPEB, Universitas Pendidikan Indonesia, email: mayasari@upi.edu

[*]Corresponding Author: firdamaulanilestari8@upi.edu

Abstract: This study examined the impact of sustainability and dividend policy on the value of healthcare companies listed on the Indonesia Stock Exchange (BEI) from 2019 to 2023. The dependent variable in this analysis was company value, represented by the Price to Earnings Ratio (PER), while the independent variables included sustainability, measured by Return on Assets (ROA), and dividend policy, expressed through the Dividend Payout Ratio (DPR). A linear regression analysis was employed using data derived from the companies' financial statements. The results revealed that sustainability had a significant positive effect on company value, and dividend policy also had a positive contribution. These findings offer valuable insights for both investors and management in formulating financial strategies to enhance the value of healthcare companies. This research is expected to contribute to the growth of financial literature and managerial practices in Indonesia.

Keyword: Profitability, Dividend Policy, Company Value

INTRODUCTION

The healthcare sector in Indonesia plays a crucial role in supporting public health while also driving national economic growth. As public awareness of the importance of health and quality of life increases, this industry is growing rapidly, particularly in terms of healthcare services, pharmaceutical production, and medical equipment (Aurelya et al., 2022). This growth is driven by various factors, such as population increase, changes in disease patterns, and rising investments in healthcare. Additionally, the healthcare sector contributes to job creation and increases state revenue through taxes and its contribution to the gross domestic product (GDP).

The stock market conditions for the healthcare sector in Indonesia have shown dynamic growth in recent years, especially since the COVID-19 pandemic. The healthcare sector, which previously did not stand out much on the Indonesia Stock Exchange (IDX), has now caught the attention of investors (Fissholah & Hascaryani, 2022). Companies involved in hospitals, pharmaceuticals, medical equipment manufacturers, and biotechnology have experienced

significant stock valuation increases due to the rising demand for healthcare services and products during the global health crisis. The healthcare sector on the IDX continues to attract attention due to its promising long-term prospects. Increased domestic and foreign investment, along with proactive government policies supporting the healthcare industry, have strengthened the sector's position in the Indonesian stock market.

Profitability reflects a company's ability to generate profits from its operational activities in providing services (Nirawati). It is a vital indicator that demonstrates the company's efficiency in utilizing resources and managing costs to generate revenue. Various financial metrics can be used to assess profitability, including Return on Assets (ROA), which indicates the business's ability to earn profit, Return on Equity (ROE), which reflects the use of capital to increase profit, and Net Profit Margin (NPM), which measures the percentage of revenue remaining after all operating expenses, taxes, and interest have been deducted (Winarno, 2019). In the healthcare industry, profitability is also influenced by external factors such as government regulations, research and development costs for new drugs or technologies, and market demand for healthcare services.

High profitability levels play a significant role in increasing a company's value, as they reflect the efficiency and effectiveness of management in managing its assets (Ningrum, 2019). Companies with high profitability are usually more attractive to investors because they are seen as having greater growth potential. Additionally, strong profitability enables companies to offer larger dividends to shareholders, thus boosting investment interest. In the healthcare sector, high profitability also indicates a company's success in responding to market demand for healthcare services and products, which can strengthen public trust and expand the customer base, thereby supporting long-term corporate value growth.

Dividend policy is a strategic decision made by a company regarding dividend distribution (Al-Qori et al., 2020). This policy includes decisions on the frequency of dividend payments, the percentage of profit distributed as dividends, and whether the company will distribute cash dividends, stock dividends, or a combination of both. Dividend policy is influenced by several factors, such as the company's financial condition, future investment needs, as well as shareholder expectations and preferences (Kurniawan & Jin, 2017). Stable and mature companies tend to pay higher and more consistent dividends to attract investors seeking passive income, whereas growing companies may choose to retain most of their profits for business expansion and development. In the healthcare sector, dividend policy may also be influenced by regulatory fluctuations and the significant investment needs.

The value of a company refers to the total value it holds in the market, reflecting investors' perceptions of the company's performance, growth prospects, and business risks. Company value is often measured through market capitalization or by using the Price to Book Value method. It indicates the wealth created by the company for its shareholders and how strong the company's position is within its industry or market. Maximizing company value is important as it is directly related to increasing shareholder wealth (Arpan & Odjan, 2020). A high company value signifies strong financial performance, solid reputation, and positive growth potential, which can attract more investment. Moreover, a high business value provides better access to funding at lower costs, strengthens market competitiveness, and enhances long-term stability. In the healthcare sector, maximizing company value is also crucial to support innovation, research, and development of new healthcare services or products needed to meet societal needs (Aurelya et al., 2022).

This research focuses on the main issue of how profitability and dividend policy impact the value of healthcare companies listed on the IDX during the 2019-2023 period. This issue involves understanding the extent to which company profitability and dividend distribution policies can influence investor perceptions and ultimately determine company value. This research is important because, although profitability and dividend policies are often considered

key indicators for attracting investors, the healthcare sector has unique characteristics, such as high research costs, strict regulations, and demand fluctuations due to global health conditions.

METHOD

The research method in this study employs a quantitative approach to analyze the impact of profitability and dividend policy on company value. The population for this research includes all companies in the healthcare sector listed on the IDX. A sample was taken from this population with the criteria that the companies must have valid financial reports for the period 2019-2023, resulting in the selection of 9 companies as the research sample. The data used in this research was collected from the financial statements of each company within that timeframe. After data collection, analysis will be conducted using SPSS software, employing multiple linear regression to determine the extent of the contributions of profitability and dividend policy to company value in the healthcare sector. These results will serve as a basis for financial management to evaluate and improve their financial strategies in the future. (Sugiyono, 2018)

RESULTS AND DISCUSSION
Classical Assumption Test

Table 1. Normality Test

One-Sample Kolmogorov-Smirnov Test	
	Unstandardized Residual
N	45
Test Statistic	.059
Asymp. Sig. (2-tailed)	.200c,d

a. Test distribution is Normal.

The significant value in the Kolmogrov Smirnov test obtained a value of 0.200> 0.05, meaning that the data utilised in this study is normally distributed.
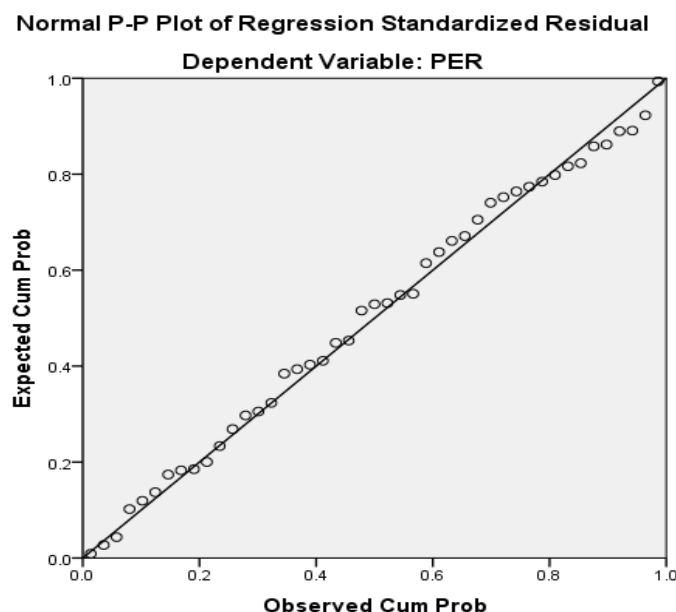
The normality test curve above shows that the points are following a straight line (regression). Thus, the data used in this regression model is normally distributed, so the prerequisites for the normality test are met.

Multicollinearity Test

Table 2. Multicollinearity Test

Model		Unstandardized Coefficients		Standardized Coefficients	Collinearity Statistics	
		B	Std. Error	Beta	Tolerance	VIF
1	(Constant)	1.298	1.046			
	DPR	.259	.096	.400	.788	1.268
	ROA	1.248	.329	.891	.310	3.226
a. Dependent Variable: PER						

The table above shows the results of the multicollinearity test, where it can be seen in the Collinearity Statistics column that both variables show a tolerance value of 0.10 and VIF 10, meaning that the model in this study is free from multicollinearity problems between independent variables. Thus, the prerequisite of multicollinearity test is fulfilled.

Heteroscedasticity Test

Table 3. Heteroscedasticity Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.704	.547		1.287	.205
	DPR	-.059	.050	-.182	-1.178	.246
	ROA	-.035	.172	-.050	-.201	.842
a. Dependent Variable: ABS_RESS						

The significant values of DPR and ROA are 0.246 and 0.842, respectively. These values are greater than 0.05, which can be concluded that there is no heteroscedasticity.

Regression Analysis

Table 4. Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.298	1.046		1.241	.222
	DPR	.259	.096	.400	2.715	.010
	ROA	1.248	.329	.891	3.794	.000
a. Dependent Variable: PER						

From the analysis results in the table above, the linear regression equation that can be made is as follows:

$$Y = 1.298 + 0.259X1 + 1.248X2$$

The constant coefficient in the regression equation above is 1.298, meaning that without any treatment, the company value will be 1.298. Furthermore, the DPR coefficient has a coefficient of 0.259, which means that when DPR increases by one unit, the sales coefficient will increase by 0.259. Then, the ROA coefficient has a coefficient of 1.248, which means that when ROA increases by one unit, the sales coefficient will increase by 1.248.

Hypothesis Testing

Table 5. T test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.298	1.046		1.241	.222
	DPR	.259	.096	.400	2.715	.010
	ROA	1.248	.329	.891	3.794	.000
a. Dependent Variable: PER						

The table above is one of the outputs of the regression analysis that has been carried out, from the table above it can be seen that the DPR variable has a sig. value of 0.010 <0.05 and the t value> t table 1.682, so this causes the hypothesis to be accepted. Thus, it is obtained that partially DPR has an influence on PER. The ROA variable has a sig. value of 0.000 <0.05 and the value of t count> t table 1.682, so this causes the hypothesis to be accepted. Thus, it is obtained that partially ROA has an influence on PER.

F Test

Table 5. F Test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.854	3	3.618	5.815	.002b
	Residual	25.510	41	.622		
	Total	36.364	44			
a. Dependent Variable: PER						
b. Predictors: (Constant), ROA, DPR						

The table above is one of the outputs of the regression analysis that has been carried out, it can be seen that the value of sig. of 0.002 <0.05 and the value of F count> F table, so this causes the hypothesis to be accepted. Thus, it is obtained that simultaneously DPR and ROA have an influence on PER.

Coefficient of Determination

Table 6. Coefficient of Determination

Model Summaryb

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.546a	.298	.247	.78879	1.685
a. Predictors: (Constant), ROA, DPR					
b. Dependent Variable: PER					

The R Square result is 0.298, meaning that all independent variables contribute 29.8% of the influence on Firm Value, while the remaining 75.3% is determined by other factors not explained in this study.

Discussion
The Effect of Profitability on Firm Value
The results showed that profitability has a significant influence on firm value in the healthcare sector. The results of this study are supported by the findings of (Yulianti Elysa,

Hermuningsih Sri, 2022); (Astari et al., 2019). However, it contradicts the study results from (Bagaskara, Titisari, & Dewi, 2021).

Profitability measures a company's ability to generate profits from its operations, which reflects management's efficiency in using available resources. In the healthcare sector, companies that are able to demonstrate high profitability, such as through strong profit margins and effective cost management, tend to be more attractive to investors. This is due to investors' expectation that a profitable company has the ability to generate stable and growing cash flows in the future, thereby increasing the company's market value.

Moreover, profitability in the healthcare sector is also often associated with innovation and competitive advantage. More profitable companies generally have more resources to invest in research and development (R&D), which is essential in the healthcare industry to create better healthcare products or services. These innovations improve a company's competitiveness and allow them to maintain or expand market share, ultimately increasing the company's value. When investors see the company's potential for growth and sustainability through innovation, it can boost their confidence and encourage an increase in the company's share price.

Consistent profitability in the healthcare sector can also signal stability to the market. Companies that are able to maintain profitability levels in volatile market conditions show that they have a resilient and adaptive business model. This is especially important in the healthcare sector, which is often affected by regulations, technological changes, and dynamic consumer needs. Stability in profitability helps lower investment risk and increase the attractiveness of the company, thereby positively impacting the company's value assessment in the market.

The Effect of Dividend Policy on Firm Value

The results showed that dividend policy has a positive and significant effect on firm value in the healthcare sector. This is because dividends are considered as an indicator of the financial health and stability of the company. When healthcare companies pay dividends consistently, it signals to investors that the company has a stable and reliable cash flow. In this sector, which often requires large investments in research and development (R&D) and technology, the ability to keep paying dividends reflects effective management and the company's strong financial position. This increases investor confidence in the company, which in turn increases the demand for shares and the value of the company in the market. This finding is supported by (Hartoyo & Abdullah, 2023); (Kimberly, 2021), but contradicts the study results from (Widiarso Muhammad Ifan, 2022).

In addition, a positive dividend policy is often attractive to investors, especially those who seek a steady income from their investments. Income-focused investors often consider dividends as one of the stable sources of income, especially in industries such as healthcare, where demand for healthcare services is constant and tends to increase as the population grows. Healthcare companies that consistently pay dividends demonstrate their commitment to distributing profits to shareholders, thereby increasing loyalty and boosting the company's value through higher share prices.

A significant dividend policy can also reduce uncertainty in the eyes of investors, especially in the healthcare sector which often faces regulatory challenges and government policy changes. By providing dividends, companies reduce the risk of speculation on the use of profits, providing greater transparency in the management of profits. This dividend can be seen as an assurance that the company remains focused on providing direct returns to shareholders, thus creating long-term value and increasing the company's valuation in the eyes of investors and the capital market.

CONCLUSION

Based on the research results, it can be concluded that profitability and dividend policy have a significant influence on firm value. High profitability indicates a promising business in profit generation that attracts investor interest and increases firm value. In addition, a larger dividend policy also acts as a positive signal for investors, so that it can increase stock prices and firm value. Simultaneously, an increase in profitability and dividend policy together contribute to an increase in firm value. This study confirms the importance of effective profitability management and dividend policy to increase firm value in the healthcare sector.

REFERENCES

Al-Qori, L. M., Apip, M., & Akbar, D. S. (2020). Pengaruh Cash Ratio (CR) dan Return on Asset (ROA) Terhadap Kebijakan Dividen. *Akuntapedia*, *1*(1).

Arpan, Y., & Odjan, M. A. C. (2020). Faktor Penentu yang Berdampak Terhadap Nilai Perusahaan: Studi Perusahaan Manufaktur di Bursa Efek Indonesia. *ECo-Fin*, *2*(2), 81–91.

Astari, Y., Rinofah, R., & Mujino, M. (2019). Pengaruh Struktur Modal Dan Profitabilitas Terhadap Nilai Perusahaan Dengan Ukuran Perusahaan Sebagai Moderasi. *Jurnal Ilmiah Manajemen, Ekonomi, & Akuntansi (MEA)*, *3*(3), 191–201.

Aurelya, T., Nurhayati, N., & Purba, S. F. (2022). Pengaruh Kondisi Sektor Kesehatan terhadap Pertumbuhan Ekonomi di Indonesia. *Jurnal STEI Ekonomi*, *31*(02), 83–92.

Bagaskara, R. S., Titisari, K. H., & Dewi, R. R. (2021). Pengaruh Profitabilitas, Leverage, Ukuran Perusahaan dan Kepemilikan Manajerial Terhadap Nilai Perusahaan. *Forum Ekonomi*, *23*(1), 29–38.

Fissholah, Q. A., & Hascaryani, T. D. (2022). Analisis Return Saham Dan Tva Pada Sektor Kesehatan Sebelum Dan Selama Pandemik Covid-19. *Contemporary Studies in Economic, Finance and Banking*, *1*(1), 49–61.

Hartoyo, A., & Abdullah, A. R. (2023). The effect of financial performance and company size on company value: A review of literature studies. *The ES Accounting And Finance*, *2*(01), 35–40.

Kimberly, N. (2021). Pengaruh Kebijakan Dividen terhadap Nilai Perusahaan dengan Kebijakan Hutang sebagai Variabel Intervening pada Perusahaan Consumer Goods yang Terdaftar di Bursa Efek Indonesia Tahun 2015-2019. *Institut Bisnis Dan Informatika Kwik Kian Gie*.

Kurniawan, W. A., & Jin, T. F. (2017). Faktor-Faktor Yang Mempengaruhi Kebijakan Dividen Pada Perusahaan Non Keuangan Yang Terdaftar Di Bursa Efek Indonesia. *Jurnal Bisnis Dan Akuntansi*, *19*(1a–3), 191–199.

Sugiyono, P. D. (2018). Quantitative, qualitative, and combination research methods (Mixed methods). *Bandung: Alphabeta CV*.

Widiarso Muhammad Ifan. (2022). Pengaruh Kebijakan Deviden, Struktur Modal dan Profitabilitas Terhadap Nilai Perusahaan. *Jurnal Ilmu Dan Riset Manajemen*, *11*((9)), 1–21.

Winarno, S. H. (2019). Analisis NPM, ROA, dan ROE dalam mengukur kinerja keuangan. *Jurnal STEI Ekonomi*, *28*(02), 254–266.

Yulianti Elysa, Hermuningsih Sri, P. P. S. (2022). Pengaruh Struktur Modal, Likuiditas, Ukuran Perusahaan, Dan Profitabilitas Terhadap Nilai Perusahaan. *ECOBISMA (Jurnal Ekonomi, Bisnis Dan Manajemen)*, *9*((1)), 88–100.