

# EFFECT OF DIVIDEND POLICY, CAPITAL STRUCTURE AND COMPANY SIZE TO COMPANY VALUE IN PHARMACEUTICAL COMPANIES LISTED ON INDONESIA STOCK EXCHANGE

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***Abstract.** In recent years, the COVID-19 pandemic spread to Indonesia, causing losses for most companies. However, pharmaceutical companies were able to survive the pandemic, The sector which will benefit the most from the pandemic is the pharmaceutical sector, as its sales have increased. As sales increase, stock prices, profits, dividends, and the value of the company all increase. Consequently, the goal of this research was to determine the impact of dividend policy, capital structure, and company size on the company value of pharmaceutical companies listed on the Indonesian stock exchange during the period of 2017-2021. This is a quantitative research design with a sampling technique which utilises the purposive sampling method to obtain 4 companies that meet the requirements as research samples. Multiple linear regression was used to analyze the data, with the independent variable dividend policy being measured with a measuring instrument (dividend payout ratio) DPR, Capital structure is measured using a DER (Debt to Equity Ratio) measuring instrument, company size is measured using a natural logarithm of total assets, and firm value is measured using a PBV (price to book value) measuring instrument. In the results of this research, dividend policy and company size were found to have no significant impact on company value, whereas the capital structure appears to have done.*

**Keywords:** Dividend policy, capital structure, company size and company value.

## INTRODUCTION

In this era of globalization, the proliferation of new companies is increasing competition between existing companies. The only way for a business to survive is to continuously seek out new ways to enhance operations and increase market share. In recent years, when the COVID-19 pandemic entered Indonesia, resulting in losses to most companies, pharmaceutical companies were able to survive in the midst of the pandemic. Furthermore, pharmaceutical companies were the most sought after companies in the midst of a pandemic, and it was reported that pharmaceutical companies were the most profitable companies. This is due to the fact that pharmaceutical companies produce medicines, vitamins, and personal protective equipment (APD) utilized in COVID-19 handling. As sales increase, stock prices, profits, dividends, and company value all increase. When the stock price rises, so does the value of the company, and vice versa, when the stock price falls, so does the value of the company. With increasing stock prices

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and sales value, this indicates that the company is performing well, and investors will not hesitate to invest in the company if it can maintain its value. To increase the value of the company, managers must manage the capital structure with care. Because a company's size is highly dependent on its capital structure, particularly its ability to obtain loans. In the capital structure theory, it is explained that the company's financial policy in determining its capital structure (mix of debt and equity) aims to maximize the company's value. The dividend policy also plays a role in maximizing the value of the company, with the dividend policy provided by the company taking the form of dividend distribution to shareholders or retained earnings reinvestment. The amount of a dividend that is paid out will have an impact on the stock price, which will raise the company's value. In the event that dividends are paid out to shareholders, less cash will be available for the company to use for its growth.

The size of the company is also said to be biased in influencing the value of the company, in addition to dividend policy, because the larger the company, the easier it will be for it to find funding sources. Companies with significant funding will also have significant value.

### **Library Overview Dividend Policy**

According to Pasaribu and Tobing (2017), dividends are the income paid by a company at the end of each period in proportion to the proportion. The size of a dividend paid to shareholders depends on the company's profits. The dividend policy of the company determines how much of the company's income can be distributed to shareholders in the form of dividends and how much must be retained as retained earnings. With the distribution of dividends to shareholders, the amount of cash flow used for the development of the company will decrease. If the company chooses not to distribute dividends and instead retains the profit, it will be able to create larger internal funds. According to Brigham & Houston (2014, p. 236), an increase in dividends is typically accompanied by a rise in stock prices, whereas a decrease in dividends typically results in a decline in stock prices. This will have an effect on the company's value.

According to Rai Prastuti and Merta Sudiarti (2016), the dividend policy of a company significantly increases its market value. Contrary to the findings of Hidayat's (2020) research, the dividend policy proxied by the Dividend Payout Ratio has no effect on the Price Book Value-proxied Company Value. According to Murhadi (2013, p. 65), the *Dividend Payout Ratio* is a comparison that can reveal the proportion of a company's dividends to its net income, which is calculated by:

$$DPR = \frac{\text{Dividen/Share}}{\text{Earnings/Share}}$$

### **Capital Structure**

According to Diana & Lilis (2017, p. 318), capital or equity is the remainder of a company's assets after deducting its liabilities, or equity is comparable to net assets. As the company's profits increase, so does its capital. According to Subramanyam and Wild (2010, p. 262), the capital structure is a crucial component of the solvency ratio. This is because the capital structure refers to the funding origins of the company. Equity capital can provide funding on a relatively permanent basis. According to Raharjaputra (2011, p. 212), a company's capital structure is a combination of long-term debt and shares used to fund investment (operating assets).

The capital structure of a company is a useful form of financial determination because it influences the achievement of the company's financial management objectives. This

research will use the *Debt to Equity Ratio* (DER) as a proportional indicator of capital structure.

According to previous research by Pasaribu et al. (2016), DER in the capital structure significantly reduces the value of a company. In the sense that the capital structure has a substantial impact on the value of the company. According to research conducted by Oktaviani and Hadi (2019), the capital structure had no effect whatsoever.

DER can be calculated mathematically using the following comparison:

$$DER = \frac{\text{Total Debt}}{\text{Total Modal}}$$

### Company Size

According to Hery (2017, p. 3), company size is a ratio used to classify the size of a company based on various factors such as total assets and total sales. When a company is large in size, it can give the impression that it is well-known by the public, making it easier to increase the company's value. Large companies have an easier time attracting funding from both internal and external sources, so investors gravitate toward them.

The size of the business can also indicate the worth of its ownership. According to Tandanu and Lukman (2020), a company of a certain size must have not only large assets, but also a large budget to support its daily activities. The total *employee headcount* is used in this analysis to calculate the company's size.

In his research, Adriani (2022) asserts that the company's size has a major impact on its market value, which is consistent with the findings of Novari Lestari (2016), who found that a company's worth grows dramatically as its size increases. However, according to study conducted by Oktaviani (2019), the size of a company has a considerable negative effect on its value.

According to Firmansyah & Estutik (2021, p. 62), the natural logarithm of a company's total assets can be used to determine its *size*. The size of a company is determined using the asset valuation approach, namely:

$$\ln \text{Total Asset}$$

### Company Values

According to Hanafi & Halim (2016, p. 82), the market to book ratio can be used to compare the value of a firm to its book value. This ratio reflects the perspective of investors and potential investors. Moreover, according to Hery (2017, p. 2), a company's value is determined by the market's estimation of its future prospects, which is typically represented in its share price. In this situation, investors are more concerned with the company's capacity to give information in its financial statements that indicates the company's future success potential.

According to Sintyana & Artini (2019), he believes, based on his research, that investor confidence in the company's future success or existing viability will increase according to the company's market value. This analogy can also be used to describe why and how the management team of a company should adopt certain initiatives that will shape the future generation. According to study conducted by Pasaribu and Tobing (2017), a high stock price indicates a high valuation and, thus, a high value. Since the market value is a reflection of the value of the company's assets, the reputation of the company increases its market worth.

In this research, the market-to-book value (PBV) ratio will substitute the real worth of the company. According to Sukamulja's calculations (2017, p. 53), the share price is greater than the book value per share if the PBV is greater than the book value per share, and vice versa. As a formula, the PBV appears as follows:

$$PBV = \frac{\text{Pricepershare}}{\text{bookvaluepershare}}$$

## RESEARCH METHODS

### Population and Sample

This research assessed the pharmaceutical companies that were listed on the Indonesia Stock Exchange between 2017 and 2021. Eleven pharmaceutical businesses were publicly traded on the Indonesia Stock Exchange. According to Sugiyono (2013, p. 81), in order for the sample to accurately represent the population as a whole, it must comprise a variety of qualities and attributes (represent). Purposive sampling is employed as a methodology.

This research implemented a form of purposive sampling with the following sample selection criteria:

- a. Corporate structures listed successively on the Indonesia Stock Exchange between the study years of 2017 and 2021.
- b. Companies which issue complete and timely financial reports over the research period of 2017 - 2021.
- c. Companies which have distributed dividends over the research period, 2017-2021.
- d. Companies that are profitable and have positive equity within the time covered in this research, 2017 to 2021
- e. Companies whose financial statements use the rupiah currency.
- f. Following is a sample that conforms to the criteria that was selected.

Using a system of purposive sampling to conduct research on the pharmaceutical industry trade on the Indonesia Stock Exchange from 2017 - 2021, researchers identified four pharmaceutical businesses, namely:

1. PT Darya-Varia Laboratoria Tbk (DVLA)
2. PT Industri Jamu dan Farmasi Sido Muncul Tbk (SIDO)
3. PT Kalbe Farma Tbk (KLBF)
4. PT Tempo Scan Pacific Tbk (TSPC)
- 5.

### Operational Definition and Variable Measurement

There are four variables to be examined in this research.

Table 1. Operational Definition of Variables and Indicators

No	Variable	Operational Definition	Source	Indicators
1.	Dividend Policy ( $X_1$ )	<i>The Dividend Payout Ratio</i> defined as Dividends/Shares divided by Earnings/Shares, will replace the dividend policy.	Murhadi(2013 , p. 65)	$DPR = \frac{\text{Dividen/Share}}{\text{Earnings/Share}}$

2. Capital Structure ( $X_2$ )	<i>The Debt to Equity Ratio</i> In this analysis, (DER) is employed instead of capital structure. DER represents the ratio of total debt to total capital.	D Dwi (2011, p. 79)	$DER = \frac{Total\ Utang}{Total\ Modal}$
3. Company Size ( $X_3$ )	In this research, the enterprise's size is calculated by calculating the natural logarithm of its total assets.	Firmansyah & Estutik (2021, p. 62)	$\ln TotalAsset$
4. Company Values (Y)	<i>Price To Book Value (PBV)</i> is a statistic used to estimate the value of a company by comparing the current share price to the company's book value.	Sukamulja (2017, p. 53)	$PBV = \frac{Pricepershare}{bookvaluepershare}$

### Data Analysis Methods

Data was processed using the SPSS 24.0 program, and research data was obtained from the Indonesia Stock Exchange's official website ([www.idx.co.id](http://www.idx.co.id)). To examine the effect of Dividend Policy, Capital Structure, and Company Size on Company Value in Pharmaceutical Companies Traded on the Indonesia Stock Exchange, multiple linear regression analysis was utilized.

The coefficient of determination (R-Square) is also used in this research to assess how much the independent variable impacts the dependent variable, as well as the F Test (Simultaneous Test) to establish whether the link between the two variables is significant.

## RESULTS AND DISCUSSION

### 1. Dividend Policy

In this analysis, dividend payments are determined using the *Dividend Payout Ratio* (DPR), which is calculated as follows:

$$DPR = \frac{Dividen/SHare}{Earnings/SHare}$$

*EFFECT OF DIVIDEND POLICY, CAPITAL STRUCTURE AND COMPANY SIZE TO COMPANY VALUE IN PHARMACEUTICAL COMPANIES LISTED ON INDONESIA STOCK EXCHANGE*

Table 2. Pharmaceutical Company Dividend Policy Development Data 2017-2022

No	Company Name	Issuer Code	Debt Payout Ratio				
			2017	2018	2019	2020	2021
1	PT Darya-Varia Laboratoria Tbk	DVLA	68,8	59,5	53,9	73,9	85,5
2	PT Industri Jamu dan Farmasi Sido Muncul Tbk	SIDO	72,5	98,6	79,2	82,9	80,7
3	PT Kalbe Farma Tbk	KLBF	42,7	47,7	49,4	44,7	42,5
4	PT Tempo Scan Pacific Tbk	TSPC	40,4	33,3	30,2	27	41

Source: processed data

The dividend policy of pharmaceutical businesses, as indicated by the *dividend payment ratio* from 2017 to 2021, fluctuates, as seen in Table 2. In the last five years, the average dividend policy followed by pharmaceutical businesses was 57.7%. PT Industri Jamu and Pharmacy Sido Muncul Tbk (SIDO) possesses the highest dividend policy in 2018 at 98.6%, while PT Tempo Scan Pacific Tbk (TSPC) possesses the lowest dividend policy in 2020 at 27.0%.

## 2. Capital Structure

Capital structure is replaced by the *Debt to Equity Ratio* (DER), which can be calculated using the following formula:

$$DER = \frac{\text{Total Utang}}{\text{Total Modal}}$$

Table 3. Data on the Development of the Capital Structure of Pharmaceutical Companies in 2017-2021

No	Company Names	Issuer Code	Debt to Equity Ratio				
			2017	2018	2019	2020	2021
1	PT Darya-Varia Laboratoria Tbk	DVLA	0.47	0.4	0.4	0.5	0.51
2	PT Industri Jamu dan Farmasi Sido Muncul Tbk	SIDO	0.09	0.15	0.15	0.19	0.17
3	PT Kalbe Farma Tbk	KLBF	0.2	0.19	0.21	0.23	0.21
4	PT Tempo Scan Pacific Tbk	TSPC	0.46	0.45	0.45	0.43	0.4

Source: Processed Data

The capital structure of pharmaceutical companies, as proxied by the *debt-to-equity ratio*, is in a shifting state, as depicted in table 3 which was explained previously. Between 2017 and 2022, the average capital structure of pharmaceutical businesses will be 0.31, or 31%. PT Darya-Varia Laboratoria Tbk (DVLA) has the highest capital structure in 2021 at 51%, whereas PT Industri Jamu and Apotek Sido Muncul Tbk (SIDO) has the lowest capital structure in 2017 at 9%. The structure of the capital raises the financial risk of the company.

### 3. Company Size

The natural logarithm of total assets, which can be stated mathematically as follows, is used to calculate company size.

$$\ln TotalAsset$$

No	Company Name	Issuer Code	Company Size				
			2017	2018	2019	2020	2021
1	PT Darya-Varia Laboratoria Tbk	DVLA	28,13	28,15	28,24	28,32	28,37
2	PT Industri Jamu dan Farmasi Sido Muncul Tbk	SIDO	28,78	28,84	28,89	28,98	29,03
3	PT Kalbe Farma Tbk	KLBF	30,44	30,53	30,64	30,75	30,88
4	PT Tempo Scan Pacific Tbk	TSPC	29,64	29,69	29,76	29,84	29,9

Source: processed data

According to table 4, the company's size is comparable to other pharmaceutical companies when the natural logarithm of total assets is used. The average pharmaceutical business will have 29.39 employees from 2017 - 2021. PT Kalbe Farma Tbk (KLBF) was the largest company during the research period, with a value of 30.88 (or total assets of Rp. 25,666,635,156,271), while the smallest was PT Darya-Varia Laboratoria Tbk (or Rp. 1,640,886,147,000) in 2017.

### 4. Company Values

$$PBV = \frac{\text{Price per share}}{\text{Book value per share}}$$

No	Company Name	Issuer Code	Company Value				
			2017	2018	2019	2020	2021
1	PT Darya-Varia Laboratoria Tbk	DVLA	1,97	1,81	1,93	2,04	2,23
2	PT Industri Jamu dan Farmasi Sido Muncul Tbk	SIDO	2,82	4,34	6,24	7,5	7,48
3	PT Kalbe Farma Tbk	KLBF	5,7	4,66	4,55	3,8	3,56
4	PT Tempo Scan Pacific Tbk	TSPC	1,59	1,15	1,08	0,99	0,98

Data source: processed data

According to Table 5, the market value of pharmaceutical businesses grew between 2017 and 2022. The average pharmaceutical business is estimated to be worth 3.32 times its annual revenue. The share price of PT Industri Jamu and Apotek Sido Muncul Tbk

(SIDO) reached 7.50 times in 2020. PT Tempo Scan Pacific Tbk (TSPC) has the lowest market value this year of any public company in 2021, at 0.98 times million.

### Multiple Linear Regression Analysis Results

**Table 6. Multiple linear regression analysis Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-19.122	19.402		-.986	.339
	DIVIDEND POLICY	.055	.026	.544	2.099	.052
	CAPITAL STRUCTURE	-7.500	3.121	-.503	-2.403	.029
	COMPANY SIZE	.735	.591	.323	1.243	.232

a. Dependent Variable: COMPANY VALUE

Source: processed data

According to table 6, the regression coefficient value can be translated into the equation formula, which is:

$$Y = -19,122 + 0,055(X_1) - 7,500(X_2) + 0,735(X_3)$$

The preceding can be explained using multiple linear regression equations:

1. The constant ( $\alpha$ ) has a value of -19,122. This indicates that if the dividend policy variable ( $X_1$ ), capital structure variable ( $X_2$ ), and company size variable ( $X_3$ ) are all zero, the firm value will be -19,122.
2. The dividend policy variable ( $\beta_1$ ) has a positive regression coefficient of 0.055. This means that a 1% change in the dividend policy variable (and vice versa) will result in a 1% change in firm value, assuming that all other independent variables remain constant at their current values.
3. The capital structure variable's regression coefficient value ( $\beta_2$ ) The variable capital structure has a negative regression coefficient value (-7.500). A 1% change in capital structure would result in a -7,500 decrease in firm value for another set of independent variables, and vice versa.
4. The firm size variable's regression coefficient coefficient value ( $\beta_3$ ) has a positive regression coefficient of 0.735. In other words, assuming all other independent variables were held constant, a 1 unit increase in firm size would result in a 0.735 unit rise in firm value, and a 1 unit drop in firm size would result in a 0.735 unit fall in firm value.

### Coefficient of Determination Analysis Results (R-Square)

**Table 7. Coefficient of Determination Analysis (R-Square)**

#### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.840 <sup>a</sup>	.705	.650	1.26111

a. Predictors: (Constant), COMPANY SIZE, CAPITAL STRUCTURE, DIVIDEND POLICY

Source: processed data

According to the analysis, firm size, capital structure, and *dividend* policy collectively account for 70.5% of the variance in firm value (as shown in Table 4.7), with other factors accounting for the remaining 29.5%.

### Simultaneous Test Results (Uji F)

The effect of dividend policy ( $X_1$ ), capital structure ( $X_2$ ), and firm size ( $X_3$ ) on the market value of Indonesian public pharmaceutical businesses is investigated in this study (Y). It is critical to ensure that the following conditions are met in order to produce trustworthy hypothesis testing results:

1. If F count > F table, the hypothesis is supported; this may be understood, and the simultaneous influence of  $X_1$ ,  $X_2$ , and  $X_3$  on Y can be shown.
2. If F count > F table, the hypothesis is supported; this cannot be understood, and the concurrent influence of  $X_1$ ,  $X_2$ , and  $X_3$  on Y is seen.

Hypotheses to be tested:

$H_0$  = Dividend policy, capital structure, and company size have no association with overall company value.

$H_1$  = There is a correlation between dividend policy, capital structure, company size, and overall company value.

**Table 8. Results of simultaneous F test analysis**

ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	60.894	3	20.298	12.763	.000 <sup>b</sup>
	Residual	25.447	16	1.590		
	Total	86.341	19			

a. Dependent Variable: COMPANY VALUE

b. Predictors: (Constant), COMPANY SIZE, CAPITAL STRUCTURE , DIVIDEND POLICY

Source: output SPSS 24

From table 8 obtained F count of 12,783 and F table which can be seen in the statistics table at a significance level of 0.05 with df 1 (number of variables -1) or 4-1=3, df 2 (n-k-1) or 20-3-1=16 (n is the sum of data and k is the number of independent variables). The result obtained for F table was 3,239. Then it can be concluded F count > F table (12.783 > 3.239) with a signification value of 0.000 < 0.05. As a result, Ho gets rejected.

As a result, it is possible to conclude that dividend policy factors ( $X_1$ ), capital structure variables ( $X_2$ ), and business size variables ( $X_3$ ) all have an effect on firm value in pharmaceutical companies listed on the Indonesian stock exchange (Y).

### Partial Significance Test (Uji-T)

The objective of this test is to assess whether X has a significant impact on Y. The t test makes decisions based on two criteria:

Based on the importance value criterion (Sig)

1. If the level of significance indicates the presence of an X dependent impact, the effect exists. (Sig) < 0,05.
2. If the level of significance is less than one, there is no X dependent impact. (Sig) > 0,05.

The following hypotheses were explored in this research:

Hypothesis 1 :

H<sub>0</sub> = For the most part, dividend policy is irrelevant to the value of the company.

H<sub>1</sub> = For the most part, dividend policy is relevant to the value of the company.

Hypothesis 2 :

H<sub>0</sub> = The capital structure has a significant impact on the company's current value.

H<sub>1</sub> = Capital structure has a limited impact on company value.

Hypothesis 3 :

H<sub>0</sub> = In some circumstances, a company's size has no bearing on its value.

H<sub>1</sub> = In various aspects, the size of the company influences its worth.

**Table 9. Partial Significance Test (T-Test)**

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-19.122	19.402		-.986	.339
	DIVIDEND POLICY	.055	.026	.544	2.099	.052
	CAPITAL STRUCTURE	-7.500	3.121	-.503	-2.403	.029
	COMPANY SIZE	.735	.591	.323	1.243	.232

a. Dependent Variable: COMPANY VALUE

Source: output SPSS 24

Table 9 shows the results, namely:

1. Dividend policy has a statistically significant sig value of 0.052. Decision H<sub>1</sub> is overturned. because 0.052 is greater than 0.05 It is possible to conclude that dividend policy has an impact on corporate value. Dividend policy is positively connected with the market value of pharmaceutical businesses trading in Indonesia, with a beta coefficient of 0.055.
2. At the 0.05 level, the capital structure is crucial (sig 0.029). As a result, the resolution was rejected. The capital structure of a corporation has an indirect impact on its value. However, for pharmaceutical companies registered on the Indonesia Stock Exchange, the beta coefficient of capital structure is -7,500, indicating that capital structure has a negative effect on company value.
3. Because the company size variable has a significance value (sig) of 0.232, or a sig value of 0.232 > 0.05, the judgment H<sub>1</sub> is rejected. It is safe to argue that the size of a company and its worth are not inextricably linked. A positive link between company size and share price was discovered among Indonesian pharmaceutical equities, with a beta coefficient of 0.735.

## Discussion of Research Results

### **Effect of Dividend Policy ( $X_1$ ) on Company Value**

The regression coefficient for the effect of dividend policy factors on stock returns in Indonesian pharmaceutical companies listed on the stock exchange is positive at 0.055. When other factors are taken into account, this suggests that a 1% rise in dividend policy leads in a 5.5 percent gain in company value. If the dividend policy variable ( $\beta_1$ ) falls by 1%, the firm value falls by -0.055%, unless the variable is designated constant. A significance value (sig.) of  $0.052 > 0.05$  is required to conclude that the policy has no meaningful influence on the value of pharmaceutical companies listed on the Indonesia Stock Exchange. As a result, we reject the null hypothesis that the dividend policy of pharmaceutical companies listed on the Indonesia Stock Exchange has a moderate effect on their market value.

If the dividend policy is changed, the stock price will rise, but not significantly. Payout policy has little impact on company value because increasing the dividend reduces the amount of profit available for reinvestment. The size of the dividends paid is less important to investors than the company's profitability. We show that dividends have no positive influence on company value, which is consistent with the findings of Hidayat's research, which utilizes the dividend payout ratio as a proxy for dividend policy (PBV).

### **Effect of Capital Structure ( $X_2$ ) on Company Value**

When assessing the effect of capital structure determinants on company value in a research of pharmaceutical companies listed on the Indonesia Stock Exchange, a negative trending regression coefficient of -7.500 was discovered. If all other variables remain constant, a 7,500 drop in the capital structure variable results in a 7,500 increase in company value. With a sign of  $0.029 < 0.05$ , capital structure clearly has a considerable negative impact on the company's value. As a result, the assertion that capital structure has no impact on a company's value is false.

This signifies that the company's usage of large debt will offer a significant danger because the company's debt financing exceeds its equity, resulting in a drop in the company's worth. And, because bankruptcy fees and interest are borne by the company, the company's value falls; companies which use debt to the extreme are no longer appealing. This results of this analysis support the findings of Pasaribu et al. (2016), who discovered that the *debt equity ratio* (DER) had a negative impact on the company's value.

### **Effect of Company Size $X_3$ on Company Value**

With a regression coefficient of 0.735, company size was found to be a significant predictor of firm value for pharmaceutical businesses listed on the Indonesia Stock Exchange. When all else is equal, a reduction in firm size results in a -0.735 percentage point decrease in value. The significance value (sig) for the company size variable is 0.232, which is greater than the 0.05 significance level, indicating that company size has no positive effect on firm value. The theory  $H_0$  is rejected because its primary premise, that the value of a corporation is impacted by characteristics such as its size, is erroneous. Contrary to popular assumption, a firm's size is not immediately proportional to its ability to attract investors and, as a result, enhance its market value. Given that some businesses would prefer to use their own resources rather than incur debt, this is a serious possibility. Furthermore, the size of a company's total assets is no assurance that it will be able to pay dividends, particularly if the company decides to retain profits to support operations and accounts receivable rather than distribute them as dividends, which can reduce value.

from the workplace. Similar results were discovered (2017), concluding that firm size has no effect on valuation. This finding is consistent with the findings of D. Pasaribu and Tobing (2017), who discovered that sales growth had a favorable but not overly significant effect on firm value.

### **The effect of dividend policy, capital structure and company size on the value of the company**

Dividend policy, capital structure, and firm size all have a substantial effect on the market value of pharmaceutical businesses trading on the Indonesia Stock Exchange, according to the results of this test (sig.  $0.000 < 0.05$ ). These findings are consistent with Adriani's (2022) conclusions that dividend policy, capital structure, and company size all interact considerably to affect the value of Indonesian manufacturing enterprises listed on the stock market.

### **CONCLUSION**

The following conclusions can be drawn from the discussion of data processing using the SPSS application:

1. Distribution policy ( $X_1$ ) Positively, the value of pharmaceutical companies listed on the Indonesia Stock Exchange increased marginally. Investors should take this into account when determining whether or not to purchase shares of pharmaceutical companies listed on the Indonesia Stock Exchange if the dividend policy is increased, as companies can use them to improve their value.
2. Significantly, capital structure  $X_2$  affects the share price of drug businesses in Indonesia. These results demonstrate that increasing the capital structure of a corporation decreases its value. Adding debt results in a loss for the company.
3. The value of pharmaceutical companies on the Indonesian stock market increased by a non-statistically significant  $X_3$  multiple. According to the results of this study, the value of a company increases with its size. Large companies can enhance their value more quickly and with less effort since the general public is more likely to recognize them. Large organizations are also more attractive to investors since it is relatively simple for them to raise funds both internally and externally.

Based on the aforementioned conclusions, the author's recommendations relate to the result of the research:

1. The number of samples used in this study was very small, thus affecting data processing so that it was less than optimal.
2. In this research, dividend policy and business size were found to have a considerable impact on shareholder investment decisions, indicating that companies should not disregard these two factors because they have a substantial impact on the investment decisions of shareholders.

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