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## **The Influence of Fundamental Factors and Macroeconomics Against Dividend Payout Ratio and Company Value in LQ45 Non-Banking Registered Companies on the Indonesia Stock Exchange**

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### **Abstract**

This research aims to test and analyze the influence of Fundamental Factors and on Dividend Payout Ratio (DPR) and its impact on the company's value in the Company LQ-45 period 2014-2017. The data used is secondary data in the form of company financial statements obtained from the Indonesia Stock Exchange (IDX). A research sample of 19 companies that met the specified criteria. The data analysis method uses linear regression analysis and path analysis. The results of the data analysis show that ROE affects the Dividend Payout Ratio. DER, NPM, and Inflation have no effect on dividend payout ratios. ROE, NPM, and Inflation have no effect on the Company's Value. Debt to Equity Ratio Dividend Payout Ratio affects the Value of the Company. There is no indirect influence between ROE, DER, NPM, and Inflation on the Company's Value.

*Keywords: Return on Equity (ROE), Debt to Equity Ratio (DER), Net Profit Margin (NPM), Inflation, Dividend Payout Ratio (DPR), and company's value.*

### **1. Introduction**

The capital market is a means of transferring funds from parties that have excess funds (investors) to parties who need funds (companies). For companies, the capital market is an alternative source of funding besides banks. Meanwhile, for investors, the capital market allows investors to have healthy companies with good hopes. Inflation, unless the increase extends to other goods. Irham (2014: 67) states that inflation is an event that describes a situation and conditions where the price of goods has increased and the value of the currency has weakened. The indicator that is often used to measure the rate of inflation is the Consumer Price Index (CPI). Changes in the CPI from time to time indicate price movements of packages of goods and services consumed by the public. The Central Statistics Agency (BPS) will determine the goods and services in the CPI basket, then BPS will monitor the price developments of these goods and services on a monthly basis in several cities. A high inflation rate in a country will cause investor interest (especially foreign investors) to invest their capital to decrease.

The following will show the development of the Dividend Payout Ratio in LQ45 companies listed on the Indonesia Stock Exchange that distributed dividends consecutively in the 2014-2017 period.

**Table 1 Development of the Average Dividend Payout Ratio for the 2014-2017 period**

Code Company	Dividend Payout Ratio			
	2014	2015	2016	2017
ADRO	43.72	49.89	30.16	52.58
AKRA	62.80	45.74	47.39	106.69
ASII	45.59	49.54	44.87	39.67
GRGM	28.67	77.73	74.92	64.52
HMSP	86.45	99.89	98.16	98.50
ICBP	49.71	49.75	49.88	49.76
INDF	49.72	49.70	49.79	49.92
INKP	12.21	4.19	6.03	9.77
INTP	94.29	35.07	88.36	138.55
ITMG	79.19	99.26	27.94	118.01
KLBF	43.14	44.44	44.84	48.75
PTBA	37.09	32.79	32.79	16.40
SCMA	70.41	79.66	71.11	82.36
SRIL	17.97	6.84	6.99	13.63
SSMS	30.01	64.15	30.01	30.01
UNTR	64.95	66.89	10.66	65.65
UNVR	44.67	99.88	99.69	99.67
WIKA	16.41	17.80	25.08	17.74
WSKT	19.89	20.01	28.35	18.48
<b>Rata-Rata</b>	<b>47.20</b>	<b>52.27</b>	<b>45.63</b>	<b>58.98</b>

Source: [www.idx.co.id](http://www.idx.co.id)

Based on table 1 above, it can be seen that the level of development of the average LQ45 Dividend Payout Ratio (DPR) listed on the Indonesia Stock Exchange during the 2014-2017 period fluctuated. From the investor's point of view, dividends are one of the motivations for investors to invest their funds in the capital market. Information held by investors is very limited, so dividend changes will be used as a signal to find out the company's performance. The following will show the development of company value at LQ45 companies listed on the Indonesia Stock Exchange.

**Table 2 Development of Average Company Value (PER) for the 2014-2017 period**

Code Company	The value of the company			
	2014	2015	2016	2017
ADRO	9.27	7.83	14.96	9.09
AKRA	20.29	27.41	22.65	21.17
ASII	15.56	16.79	22.28	17.8
GRGM	21.67	16.44	20.04	22.32
HMSP	29.48	42.2	36.79	43.42
ICBP	27.67	26.18	26.48	27.34

<b>Code</b>	<b>The value of the company</b>			
<b>Company</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
INDF	14.67	15.31	16.11	16.06
INKP	16.60	4.10	20.86	13.10
INTP	18.57	18.86	13.51	43.45
ITMG	6.32	7.43	15.81	6.83
KLBF	43.27	30.87	31.28	33.39
PTBA	13.65	5.12	20.54	6.33
SCMA	34.72	29.75	26.57	24.87
SRIL	8.58	9.42	5.51	8.43
SSMS	25.61	33.11	44.72	18.15
UNTR	10.17	16.41	19.01	17.84
UNVR	19.00	48.24	46.74	60.89
WIKA	42.35	25.97	39.54	11.57
WSKT	84.55	21.63	27.78	7.73
<b>Rata-Rata</b>	<b>24.31</b>	<b>21.21</b>	<b>24.38</b>	<b>21.57</b>

Source: [www.idx.co.id](http://www.idx.co.id)

Based on table 3 above, it can be seen that the level of development of the average company value as proxied by the Price Earning Ratio (PER), LQ45 companies listed on the Indonesia Stock Exchange during the 2014-2017 period fluctuated. From the investor's point of view, firm value is one of the reasons for the motivation of investors to invest their funds in the capital market. Information held by investors is very limited, so changes in Price Earning Ratio (PER) will serve as a signal to find out company performance.

## **2. Literature Review**

### **Return on Equity (ROE)**

According to Hanafi and Abdul (2014, p. 42) Return on Equity (ROE) is a measure of a company's ability to generate net income based on certain capital. This ratio is a measure of profitability from the perspective of shareholders. Return on Equity (ROE) is a ratio used to assess the extent to which a company affects its resources to be able to provide return on equity (Irham, 2012: 98).

### **Debt to Equity Ratio (DER)**

According to Muhandi (2015, p. 61) Debt to equity ratio (DER) is the ratio that is shows the comparison between debt and company equity. Debt to equity ratio is a different ratio for each company, depending on business characteristics and various cash flows. This ratio is important for shareholders to know the increase in debt which will affect the level of net income available to shareholders.

### **Net Profit Margin (NPM)**

According to Hery (2015, p. 235) Net profit margin is a ratio used to measure the percentage of net income on net sales. The higher the Net profit margin, the better.

### **Inflation**

Julius R. Latumaerissa (2012, p. 22) states that a brief definition of inflation is the tendency of prices to increase continuously. Besides happening continuously, price increases can be called inflation if the price increases cover all types of goods.

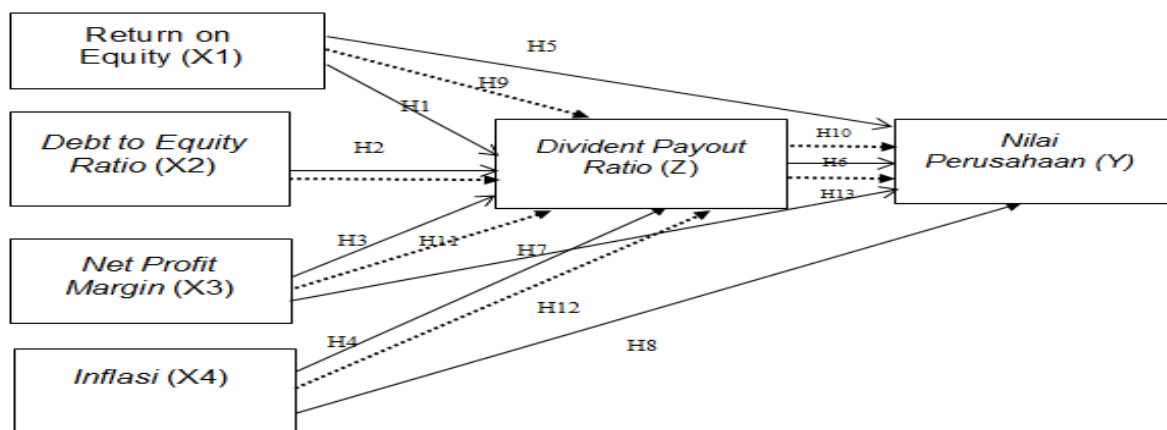
### **Dividend Payout Ratio**

Hanafi and Abdul (2014: 88) state that the Dividend Payout Ratio (DPR) is the ratio between the number of dividends paid to shareholders to the company's total net income. In other words, the Dividend Payout Ratio (DPR) is the ratio between the profits of the company and the amount of dividends the company distributes to investors. If the percentage of Dividend Payout Ratio (DPR) is high, it means that the amount of dividends distributed to investors is quite high when compared to company profits.

### **Company Value**

Husnan (2013, p. 7) which states that company value is the price that potential investors are willing to pay if the company is sold. Thus, it can be concluded that the value of the company is the market price of the company itself which is reflected in its share price and aims to prosper shareholders. So that the high stock price of a company shows that the company value is also high.

### **Framework**



**Figure 1. Research Framework**

#### **Hypothesis:**

- (1) H1: It is suspected that there is an influence between Return on Equity (ROE) on the Dividend Payout Ratio in non-banking LQ45 companies listed on the Indonesia Stock Exchange.
- (2) H2: It is suspected that there is an influence between the Debt to Equity Ratio (DER) on the Dividend Payout Ratio in non-banking LQ45 companies listed on the Indonesia Stock Exchange.
- (3) H3: It is suspected that there is an influence between the Net Profit Margin on the Dividend Payout Ratio in LQ45 companies listed on the Indonesia Stock Exchange.

- (4) H4: It is suspected that there is an influence between inflation on the dividend payout ratio in non-banking LQ45 companies listed on the Indonesia Stock Exchange.
- (5) H5: It is suspected that there is an influence between Return on Equity (ROE) on Firm Value in non-banking LQ45 companies listed on the Indonesia Stock Exchange.
- (6) H6: It is suspected that there is an influence between the Debt to Equity Ratio (DER) on Firm Value in non-banking LQ45 companies listed on the Indonesia Stock Exchange.
- (7) H7: It is suspected that there is an influence between Net Profit Margin on firm value at non-banking LQ45 companies listed on the Indonesia Stock Exchange.
- (8) H8: It is suspected that there is an influence between inflation on firm value in non-banking LQ45 companies listed on the Indonesia Stock Exchange.
- (9) H9: It is suspected that there is an influence between the Dividend Payout Ratio on Firm Value in non-banking LQ45 companies listed on the Indonesia Stock Exchange.
- (10) H10: It is suspected that there is an indirect effect between Return on Equity (ROE) on the Dividend Payout Ratio and Firm Value in non-banking LQ45 companies listed on the Indonesia Stock Exchange.
- (11) H11: It is suspected that there is an indirect influence between the Debt to Equity Ratio (DER) on the Dividend Payout Ratio and Company Value in non-banking LQ45 companies listed on the Indonesia Stock Exchange.
- (12) H12: It is suspected that there is an indirect effect between Net Profit Margin on the Dividend Payout Ratio and Firm Value in LQ45 companies listed on the Indonesia Stock Exchange.
- (13) H13: It is suspected that there is an indirect effect between inflation on the dividend payout ratio and company value in non-banking LQ45 companies listed on the Indonesia Stock Exchange

### 3. Methods

The population in this study are LQ45 companies listed on the Indonesia Stock Exchange. The total population is 45 companies. The LQ45 company which is listed on the Indonesia Stock Exchange has provided financial reports that can be seen by the public. The sample in this study were 19 LQ45 companies.

**Table 3 Sample**

No	Code	Company Name
1	ADRO	PT. Adaro Energy Tbk
2	AKRA	PT. AKR Corporindo Tbk
3	ASII	PT. Astra Otoparts Tbk
4	GRGM	PT. Gudang Garam Tbk
5	HMSP	PT. Hanjaya Mandala Sampoerna Tbk
6	ICBP	PT Indofood CBP Sukses Makmur Tbk
7	INDF	PT. Indofood Sukses Makmur Tbk
8	INKP	PT. Indah Kiat Pulp & Paper Tbk
9	INTP	PT. Indocement Tunggul Prakarsa Tbk
10	ITMG	PT. Indo Tambangraya Megah Tbk
11	KLBF	PT. Kalbe Farma Tbk
12	PTBA	PT. Bukit Asam Tbk
13	SCMA	PT. Surya Citra Media Tbk
14	SRIL	PT. Sri Rejeki Isman Tbk
15	SSMS	PT. Sawit Sumbermas Sarana Tbk
16	UNTR	PT. United Tractors Tbk
17	UNVR	PT. Unilever Indonesia Tbk

No	Code	Company Name
18	WIKA	PT. Wijaya Karya (Persero) Tbk
19	WSKT	PT. Waskita Karya (Persero) Tbk

Source: www.idx.co.id

The test used is multiple regression analysis test and path analysis using the SPSS 24 application. Classic assumption test to test and analyze H1 s.d. H9 with multiple regression analysis and Path Analysis to test and analyze H10 s.d. H13.

#### 4. Results and Discussion

##### Multiple Linear Regression Analysis

The data analysis technique used is Multiple Linear Regression Analysis and Path Analysis Model Mediation using the help of the SPSS 24 program. Multiple Linear Regression is used to test and analyze H1, H2, H3, H4, H5, H6, H7, H8, and H9 with general equations multiple linear regression in this study are:

$$Z = b1ZX1 + b2ZX2 + b3ZX3 + b4ZX4 + e1$$

$$Y = b1YX1 + b2YX2 + b3YX3 + b3YZ + b4YZ + e2$$

The results of the Multiple Linear Regression Test on variables, namely ROE, DER, NPM, and Inflation on Firm Value through the DPR are in table 4.4 and table 4.5 below.

**Table 4. First Regression Model Coefficient Table of Regression Equations**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	70.729	9.377		7.543	.000
ROE (X1)	.688	.118	.610	5.848	.000
DER (X2)	-.242	.041	-.620	-5.882	.000
NPM (X3)	-.619	.421	-.156	-1.469	.146
INFLASI (X4)	-.739	1.240	-.053	-.596	.553
a. Dependent Variable: Dividend Payout Ratio (Z) b. F Value : 13,901 c. R Square : 0,439					

From the table above, the following equation can be drawn:

$$Z = 0.610X1 - 0.620X2 - 0.156X3 - 0.053X4$$

From the regression equation above it can be interpreted as follows:

(1) The regression coefficient for the variable Return on Equity (X1) is positive at 0.610. This means that every time ROE increases by one unit, the DPR will increase by 0.610 units, assuming the other independent variables are considered constant.

(2) The regression coefficient of the Debt to Equity Ratio (X2) variable is negative at 0.620. This means that each DER increases by one unit, the DPR will experience a decrease of 0.620 units, assuming the other independent variables are considered constant.

(3) The regression coefficient for the Net Profit Margin (X3) variable is negative at 0.156. This means that every time the NPM increases by one unit, the DPR will experience a decrease of 0.156 units, assuming the other independent variables are considered constant.

(4) The regression coefficient for the Inflation variable (X4) is negative at 0.053. This means that every time the NPM increases by one unit, the DPR will decrease by 0.053 units, assuming the other independent variables are considered constant.

To test H1 and H2 based on table 4. the following results are obtained:

1. The t value on the ROE variable is 5.848 with sig. 0,000. The value of t table with a significance of 0.05 is 1.994. Comparison of t count with t table shows t count > t table, namely 5.848 > 1.994, it can be concluded that partially there is a significant effect on ROE on DPR. (H1 accepted)
2. The t value for the DER variable is -5.882 with sig. 0,000. The value of t table with a significance of 0.05 is 1.994. Comparison of t count with t table shows t count < t table, namely -5.882 < 1.994, it can be concluded that partially there is no significant effect of DER on DPR. (H2 is rejected)
3. The t value for the NPM variable is -1.469 with sig. 0.146. As for the t table value with a significance of 0.05 is 1.994. Comparison of t count with t table shows t count < t table that is -5.882 < 1.994, it can be concluded that partially there is no significant effect of NPM on DPR. (H3 rejected)
4. The t value for the inflation variable is -0.596 with sig. 0.553. As for the t table value with a significance of 0.05 is 1.994. Comparison of t count with t table shows t count < t table that is -5.882 < 1.994, it can be concluded that partially there is no significant effect of inflation on the DPR. (H4 rejected)

**Table 5. Coefficient Table of the Second Regression Model Regression Equation**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	4.764	6.807		.700	.486
ROE (X1)	.092	.078	.178	1.191	.238
DER (X2)	.054	.027	.303	1.998	.049
NPM (X3)	.181	.231	.099	.782	.437
INFLASI (X4)	.217	.672	.034	.323	.748
DPR (Z)	.139	.064	.302	2.160	.034
a. Dependent Variable: Firm Value (Y) b. F value : 4,326 c. R Square : 0,232					

From the table above, the following equation can be drawn:

$$Y = 0.178X1 + 0.303X2 + 0.099X3 + 0.034X4 + 0.302Z$$

From the regression equation above it can be interpreted as follows:

(1) The regression coefficient for the variable Return on Equity (X1) is positive at 0.178 with a sig. is 0.238 which indicates a number greater than 0.05. This means that partially there is no significant effect of the ROE variable on Firm Value.

(2) The regression coefficient of the Debt to Equity Ratio (X2) variable is positive at 0.303. with the sig value. is 0.049 which indicates a smaller number with 0.05. This means that partially there is a significant effect of the DER variable on Firm Value.



(3) The regression coefficient of the Net Profit Margin variable (X3) is positive at 0.099 with a sig. is 0.437 which indicates a number greater than 0.05. This means that partially there is no significant effect of the NPM variable on Firm Value.

(4) The regression coefficient for the Inflation variable (X4) is positive at 0.034 with a sig. is 0.748 which indicates a number greater than 0.05. This means that partially there is no significant influence of the Inflation variable on Firm Value.

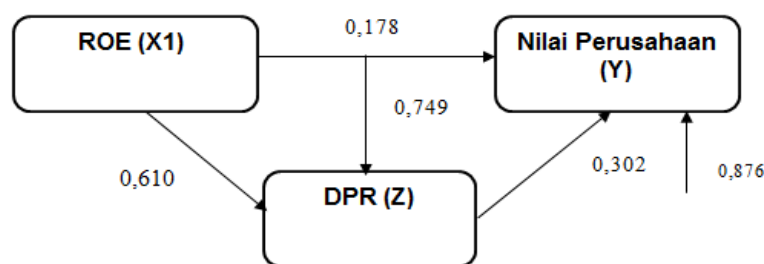
(5) The regression coefficient for the Dividend Payout Ratio (Z) variable is positive at 0.302. with the sig value. is 0.034 which indicates a smaller number with 0.05. This means that partially there is a significant effect of the DPR variable on Firm Value.

To test H5, H6, H7, H8, and H9 based on table 5, the following results are obtained:

1. The t value of the ROE variable is 1.191 with sig. 0.238. The value of t table with a significance of 0.05 is 1.994. Comparison of t count with t table shows t count < t table that is  $1.191 < 1.994$ , it can be concluded that partially there is no significant effect of ROE on Firm Value. (H5 rejected)
2. The t value for the DER variable is 1.998 with sig. 0.049. The value of t table with a significance of 0.05 is 1.994. Comparison of t count with t table shows t count > t table that is  $1.998 > 1.994$ , it can be concluded that partially there is a significant effect of DER on Firm Value. (H6 received)
3. The t value for the NPM variable is 0.782 with sig. 0.437. The value of t table with a significance of 0.05 is 1.994. Comparison of t count with t table shows t count < t table that is  $0.782 < 1.994$ , it can be concluded that partially there is no significant effect of NPM on Firm Value. (H7 rejected)
4. The t value for the inflation variable is 0.323 with sig. 0.748. The value of t table with a significance of 0.05 is 1.994. Comparison of t count with t table shows t count < t table that is  $0.323 < 1.994$ , it can be concluded that partially there is no significant effect of inflation on firm value. (H8 rejected)
5. The t value for the DPR variable is 2.16 with sig. 0.034. The value of t table with a significance of 0.05 is 1.994. Comparison of t count with t table shows t count > t table, namely  $2.16 > 1.994$ , it can be concluded that partially there is a significant effect of DPR on Firm Value. (H9 received)

### The Mediation Model Path Analysis Test

1) The effect of X1 on Y through Z Based on the results of statistical tests, it is found that the direct effect of ROE (X1) on Firm Value (Y) and the indirect effect mediated by DPR (Z) is as follows:



**Figure 2. The relationship of X1 to Y through Z**

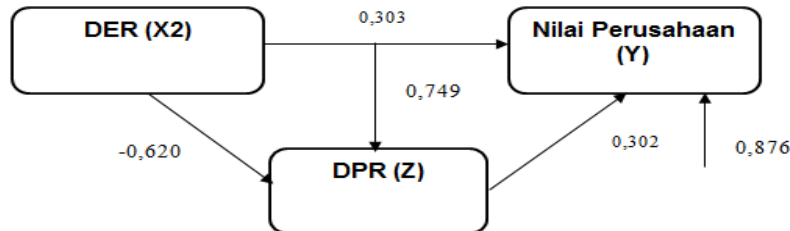
Based on Figure 4.3, X1 has an effect on Y (0.178). In the previous statistical test, it shows that ROE directly affects the DPR because the sig value is obtained. that is smaller than 0.05. X1 affects Z (0.610) which shows a positive number, meaning that each ROE increases by one unit, the DPR will increase by 0.610 units, assuming the other independent variables are considered constant. Then Z affects Y (0.302) which shows a positive number, meaning that there is a significant effect of the DPR variable on Firm Value. Then for the indirect effect of ROE on Firm Value through the DPR is



$(0.610 \times 0.302) = 0.184$ . obtained z value of 1.728, because the z value obtained is  $1.728 < 1.96$  (absolute z value) with a significance level of 5%, it significantly proves that there is no indirect effect of ROE on company value mediated by DPR, then H10 is rejected

2) The effect of X2 on Y through Z

Based on the results of statistical tests, it is found that the direct effect of DER (X2) on Firm Value (Y) and the indirect effect mediated by DPR (Z) is as follows

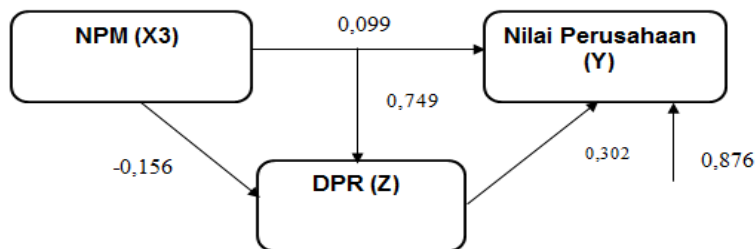


**Figure 3. The relationship of X2 to Y through Z**

Based on Figure 3, X2 has an effect on Y (0.303). In the previous statistical test, it shows that DER does not directly affect the DPR (-0.620), but has a direct effect on Firm Value. Then Z affects Y (0.302) which shows a positive number, meaning that there is a significant effect of the DPR variable on Firm Value. Then for the indirect effect of DER on Firm Value through the DPR is  $(-0.620 \times 0.302) = -0.187$ . To test the significance of this indirect effect using the Sobel test. From the calculation of the sobel test, the z value of -0.601 is obtained, because the z value obtained is  $-0.601 < 1.96$  (absolute z value) with a significance level of 5%, it significantly proves that there is no indirect effect of DER on firm value mediated by DPR, then H11 is rejected.

3) The effect of X3 on Y through Z

Based on the results of statistical tests, it is found that there is a direct effect of NPM (X3) on Firm Value (Y) and the indirect effect mediated by DPR (Z) is as follows:

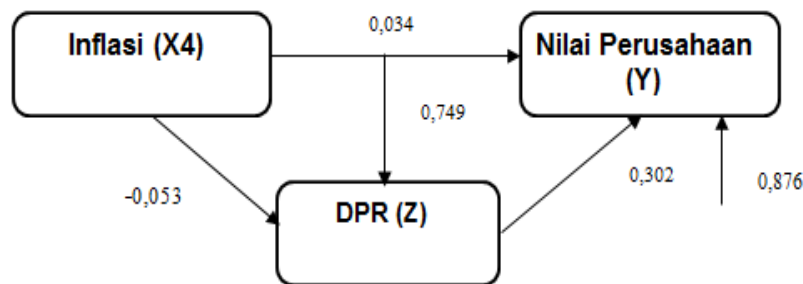


**Figure 4. The relationship of X3 to Y through Z**

Based on Figure 4., X3 has an effect on Y (0.099). In the previous statistical test, it shows that NPM does not directly affect the DPR (-0.156), but rather has a direct effect on Firm Value. Then Z affects Y (0.302) which shows a positive number, meaning that there is a significant effect of the DPR variable on Firm Value. Then for the indirect effect of NPM on Firm Value through the DPR is  $(-0.156 \times 0.302) = -0.047$ . To test the significance of this indirect effect using the Sobel test. From the calculation of the sobel test, the z value obtained is -3.688, because the z value obtained is  $-3.688 < 1.96$  (absolute z value) with a significance level of 5%, it significantly proves that there is no indirect effect of NPM on firm value mediated by DPR, then H12 is rejected.

4) The effect of X4 on Y through Z

Based on the results of statistical tests, it was found that there was a direct effect of NPM (X4) on Firm Value (Y) and the indirect effect mediated by DPR (Z) was as follows:



**Figure 5. The relationship of X4 to Y through Z**

Based on Figure 5, X4 has an effect on Y (0.034). In the previous statistical test, it shows that NPM does not directly affect the DPR (-0.053), but has a direct effect on Firm Value. Then Z affects Y (0.302) which shows a positive number, meaning that there is a significant effect of the DPR variable on Firm Value. Then for the indirect effect of NPM on Firm Value through the DPR is  $(-0.053 \times 0.302) = -0.016$ . To test the significance of this indirect effect using the Sobel test.

From the calculation of the sobel test, the z value obtained is -5.127, because the z value obtained is  $-5.127 < 1.96$  (absolute z value) with a significance level of 5%, it significantly proves that there is no indirect effect of NPM on firm value mediated by DPR, then H13 is rejected

## **Discussion**

### **The Effect of ROE on the DPR**

Based on the partial test results, Return on Equity has a significant positive effect on the Dividend Payout Ratio in non-banking LQ45 companies listed on the Indonesia Stock Exchange in 2014-2017. Based on the research results, Return on Equity has a positive and significant effect on the Dividend Payout Ratio, meaning that the higher the profit, the higher the company's dividend distribution ratio. This is because the dividend distribution comes from a portion of the profits earned by the company. By having a good profit performance because it is supported by a high population and a high level of consumption which has an impact on increasing company profits. The higher the profits obtained by the company, the higher the benefits that can be enjoyed by shareholders in the form of dividends.

### **The Effect of DER on the DPR**

Based on the results of the test partially there is no effect significant DER to the Dividend Payout Ratio in non-banking LQ45 companies listed on the Indonesia Stock Exchange in 2014-2017. Based on the research results, the Debt to Equity Ratio has no effect on the dividend payout ratio, this shows that companies that have a high level of debt do not necessarily have a small dividend distribution. Where the use of debt provides benefits to the company so that the company can expand its business and increase profits so that dividends paid increase.

### **The Effect of NPMs on the DPR**

Based on the partial test results, there is no significant effect of NPM on the Dividend Payout Ratio in non-banking LQ45 companies listed on the Indonesia Stock Exchange in 2014-2017. Based on the research results, Net Profit Margin has no effect on the dividend payout ratio, Net Profit Margin is a ratio to measure the company's ability to generate net profit from sales activities, so that the greater the NPM value indicates the company's high ability to generate net income. The results

showed the small net profit margin so that the profit margin owned by the company could not be used to pay dividends.

#### **The Effect of Inflation on the DPR**

Based on the partial test results, there is no significant effect of inflation on the Dividend Payout Ratio in non-banking LQ45 companies listed on the Indonesia Stock Exchange in 2014-2017. Based on the research results, inflation has no effect on the dividend payout ratio. The results of this study clearly show that inflation in the observation period has no effect on the LQ45 company DPR. This result also answers from the synthesis of Mulyono (2009) suggesting that it is necessary to expand the research linking macroeconomic variables that may affect the DPR, including: interest rate, rupiah exchange rate against foreign exchange, balance of payments, export imports and inflation. This result can occur if the LQ45 company is able to respond to rising inflation by increasing the selling price of its products. So that there is no reason for companies to increase dividends.

#### **The Effect of ROE on Firm Value (PER)**

Based on the partial test results, there is no significant effect of Return on Equity on PER in non-banking LQ45 companies listed on the Indonesia Stock Exchange in 2014-2017. Based on the results of the research, Return on Equity has no significant effect on PER, which means that the results of this study. According to Jones (1996), Return on Equity (ROE) is a measurement of the income available to company owners on the capital they invest in the company. This ratio is calculated by comparing the net income generated by the company with its own capital. Return on Equity reflects the ability to generate profits using own capital. The higher the percentage of Return on Equity, the more effective the company is in generating profits. The company's ROE has decreased, reflecting that the company has the potential not to grow. A decrease in ROE reflects a decrease in the level of profit provided to shareholders, so that investors appreciate the decline in these shares. the decline in ROE resulted in lower demand for shares by investors so that PER fell. Likewise, if ROE goes up.

#### **The Effect of DER on Firm Value (PER)**

Based on the partial test results, there is a significant effect of DER on PER in non-banking LQ45 companies listed on the Indonesia Stock Exchange in 2014-2017. Based on the research results, the Debt to Equity Ratio has an effect on PER, meaning that DER is calculated by comparing the total debt with the company's capital. This ratio shows the company's capital structure. The higher the DER, the greater the composition of the total debt compared to the total equity of a company so that it has a greater impact on the company's burden on creditors. The increase in DER illustrates the increase in debt from the company. The increase in debt periodically causes the company to take advantage of larger debt compared to equity, the company's solvability is low, which causes the company's ability to pay off debt to be low. The company's risk is relatively high so that investors are not interested in investing in stocks so that PER decreases (Martono & Harjito, 2005).

#### **The Effect of NPM on Firm Value**

Based on the partial test results, there is no significant effect of NPM on PER in non-banking LQ45 companies listed on the Indonesia Stock Exchange in 2014-2017. Based on the research results, Net Profit Margin has no effect on PER, Net Profit Margin is a ratio to measure the company's ability to generate net profit from sales activities, so that the greater the NPM value indicates the company's high ability to generate net income. Thus the hypothesis which states that NPM has a positive effect on PER is accepted. This significant effect shows that so far the LQ45 company has not been able to maximize the net profit resulting from the comparison of net profit after tax with net sales.

#### **The Influence of Inflation on Firm Value**

Based on the partial test results, there is no significant effect of inflation on PER in non-banking LQ45 companies listed on the Indonesia Stock Exchange in 2014-2017. Based on the research results, inflation has no effect on PER. The results of this study clearly show that inflation in the observation period has no effect on PER of LQ45 companies. These results also need to expand the research linking macroeconomic variables that may affect PER, including: interest rate, rupiah exchange rate

against foreign exchange, balance of payments, export-import and inflation. This result can occur if the LQ45 company is able to respond to rising inflation by increasing the selling price of its products. So that there is no reason for the company to increase the PER value. **The Effect of the DPR on Firm Value**

Based on the partial test results, there is a significant effect of the DPR on PER in non-banking LQ45 companies listed on the Indonesia Stock Exchange in 2014-2017. Based on research results, the Dividend Payout Ratio (DPR) is the distribution of profits to shareholders (Husnan, 2013: 113). The DPR can reflect the condition of the company. The increase in the DPR reflects that the company's profits are rising. The increase in profit could be due to the company's good performance and will influence investors to invest their funds in the company's shares. The increase in dividends paid is a signal to make an investment which results in an increase in PER. Changes in the DPR can affect PER (Husnan, 2013). An increase in this ratio illustrates the increase in the amount of dividends distributed. The increase in the amount of dividend payments by the company resulted in investors interested in investing which resulted in an increase in PER.

## 5. Conclusion

1. Return on Equity (ROE) affects the Dividend Payout Ratio.
2. Debt to Equity Ratio (DER) has no effect on the Dividend Payout Ratio.
3. Net Profit Margin (NPM) has no effect on the Dividend Payout Ratio.
4. Inflation has no effect on the Dividend Payout Ratio.
5. Return on Equity (ROE) has no effect on Firm Value.
6. Debt to Equity Ratio (DER) affects Firm Value.
7. Net Profit Margin (NPM) has no effect on Firm Value.
8. Inflation has an effect on Firm Value.
9. Dividend Payout Ratio has an effect on Firm Value.
10. There is no indirect effect between Return on Equity (ROE) on Firm Value.
11. There is no indirect effect between Debt to Equity Ratio (DER) on Firm Value.
12. There is no indirect effect between Net Profit Margin (NPM) on Firm Value.
13. There is no indirect effect between inflation on Firm Value.

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