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Comparison Of Dividend Policy, Profitability And Company Value Before And During The Covid-19 Pandemic

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Abstract

This study is find out if there is a difference between the Dividend Policy, Profitability, and Company Value before and during the covid-19 pandemic. The object of this research is a company that is incorporated in the Indonesia Stock Exchange. The data analysis technique used is descriptive analysis After that, different tests were carried out to find out whether there were significant differences in the variables to be tested. The final result in the test is that the value of The Return On Asset test shows that there is a significant difference between before the pandemic and during the Covid-19 pandemic. The Price to Book Value test can be stated to have a significant difference.

INTRODUCTION

The capital market is a market for various long-term financial instruments that can be traded, either in the form of debt or equity (Putra & Lestari, 2016). Investors can invest in several companies through the purchase of securities traded in the capital market, while the company requires funds to develop the company.

In choosing a company, investors have their own criteria for investing. Especially in the company value section where the value of the company itself is one of the factors that investors consider to invest. Firm value is an indicator of financial performance for companies that go public. It is said that high company value can prosper shareholders, therefore the higher the company value, investors will get additional benefits other than dividends which are usually given by the company in the form of capital gains from the shares they own.

Many factors affect the development of the company. These factors include financial functions such as dividend policy, the level of profit or profitability obtained by the company and of course the selling price of shares determined by the company.

However, at the end of 2019 a disease outbreak emerged called Covid-19 (Coronavirus Dieses 2019) which caused almost the entire economy in every country to experience chaos, including companies in Indonesia, especially those that went public. Of course, this is likely to have a major influence on dividend policy, profitability, and firm value.

The definition of optimal dividend policy (optimal dividend policy) is a dividend policy that creates a balance between current dividends and future growth so as to maximize the company's stock price (Umi Mardiyati, 2012). A financial manager has a special role in dividend policy. This is because the role of financial managers is directly related to shareholders where managers will pay company profits directly to shareholders.

Factors that affect firm value are profitability, liquidity, and leverage where the results of the research are return on equity (ROE) has a significant effect on firm value, current ratio (CR) has no significant effect on firm value, Quick Ratio (QR) has a significant effect on firm value. company, Leverage Ratio (LR) has a significant effect on firm value (Ilhamsyah & Soekotjo, 2017).

However, this study contradicts the research conducted by Wibowo and Aisyah (2012) in (Ilhamsyah & Soekotjo, 2017), that profitability as measured by return on assets cannot affect firm value because ROA measures the level of profitability based on the company's efficiency in asset use. Investors also pay attention to the development of the company through the value of the company.

The value of the company is the price that will be paid by the prospective buyer if the company is sold and the value of the company is based on the share price (Rahman, 2015). The value of this company is one of the determinants used to measure whether the company is in good or bad condition. The value of the company can also be determined from the price of shares outstanding on the stock market. The higher the value of the company, the higher the stock market price.

This study aims to examine and analyze differences in Dividend Payout Ratio (DPR), Return On Assets (ROA), Price to Book Value (PBV) before and during the Covid-19 pandemic in manufacturing companies in the Consumer Non-Cylicals and Healthcare sectors listed in Indonesia. Indonesia Stock Exchange (IDX).

Signal theory is an action taken by the company's management that provides clues to investors about how management views the company's prospects (Eugene F. Brigham, 2009). Signal theory is the reason why companies can have the urge to provide financial statement information to external parties. Because the company has more information and future prospects about the company than outsiders (investors and creditors). By using this signal theory, it will be easier for investors to know the condition of the company and later it will be easier for investors to determine which investments to make in the company.

Dividend policy (dividend policy) is a decision how much profit earned by the company at the end of the year will be distributed to shareholders as cash dividends or stored in the form of retained earnings as a source of company funding (Mudma'inah et al., 2019).

H1: Dividend policy was different before and during the Covid-19 pandemic.

Profitability reflects the benefits of financial investment and describes the company's ability to generate profits. Profitability reflects the profits from financial investments and describes the company's ability to generate profits. This is reinforced by signal theory where by describing the company's ability to generate profits, companies that generate profits or profitability will usually make more disclosures because company management wants to convince all users of financial statements that the company's performance is good and is in a strong competitive position (Riski et al., 2019). Based on the results of these calculations, the results obtained that profitability has an effect on the disclosure of biological assets. Meanwhile, other studies conclude that profitability has a negative effect on information disclosure.

H2: Profitability differed significantly before and during the Covid-19 pandemic.

Firm value is market value. If the share price increases, the value of the company also increases and can provide benefits for shareholders. Therefore, the higher the share price, the higher the profits obtained by shareholders. So that this situation will attract the attention of investors because the increasing demand for shares causes the value of the company to also increase (Rika Nurlela dan Islahuddin, 2008).

H3: Firm values differed significantly before and during the Covid-19 pandemic.

METHODS

This research is an associative research. namely research that aims to determine the relationship between two or more variables (Sugiyono, 2008). The data collection method used is using secondary data in the form of financial statement data from each company sampled in 2019-2020. The population of this research is manufacturing sector companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2020, as many as 32 companies. For the sampling technique using purposive sampling method with the following criteria:

Table 1. Company Sampling Criteria

No	Description	Jumlah
1	Manufacturing companies in the Consumer Non-Cylicals and Healthcare sectors listed on the Indonesia Stock Exchange (IDX) since 2019-2020 are included in the main board..	74
2	Manufacturing Companies in the Consumer Non-Cylicals and Healthcare sectors listed on the Indonesia Stock Exchange that do not publish the 2019-2020 annual report on the Indonesia Stock Exchange.	(12)
3	Manufacturing Companies in the Consumer Non-Cylicals and Healthcare sectors listed on the Indonesia Stock Exchange that publish audited financial reports from 2019-2020 on the Indonesia Stock Exchange.	62
4	The Company does not display Cash Dividends or distribute dividends for 2019-2020.	(30)
5	The company's financial statements must display Cash Dividends or distribute dividends for 2019-2020.	32

Sources: Processed data

Data analysis methods are indispensable for research. In this study, the tools used were SPSS 21.0 software and Microsoft Excel 2013. The tests carried out in this study were descriptive analysis, normality test, and difference test. The difference test is a test carried out to find out whether there is a difference between two related samples. The condition for using this difference test is when the data is normally distributed. If the data is not normally distributed, non-parametric tests such as the Wilcoxon test will be carried out when the sample data is paired.

1) Paired Sample t-Test

   This paired sample t-test was conducted to find out whether under different circumstances it would display different results on the statistical average value. Terms used:

   a. Significant value (2-tailed) > 0.05 indicates there is no significant difference between the initial and final variables.
   b. The significant value (2-tailed) < 0.05 indicates there is a significant difference between the initial and final variables.

2) Wilcoxon Signed Rank Test

   The Wilcoxon Signed Rank Test test method is carried out if the research data is not normally distributed. Similar to the paired sample t-test, the test aims to find out whether there are differences in different conditions. Terms used:

   a. Asymp Sig (2-tailed) > 0.05 then there is no significant difference between the two sample groups.
   b. Asymp Sig (2-tailed) < 0.05 then there is a significant difference between the two sample groups.

RESULTS AND DISCUSSION

Dividend Payout Ratio (DPR) variable before the Covid-19 pandemic, Asymp Sig (2-tailed) value > 0.05. So it can be concluded that the DPR variables before the pandemic were normally distributed and a different paired sample t-test could be carried out. In contrast to the value of the DPR during the Covid-19 pandemic where the Asymp Sig (2-tailed) value < 0.05, which is 0.048, it can be stated that the value of the DPR during the Covid-19 pandemic is not normally distributed. So it is necessary to test the Wilcoxon Signed Rank Test hypothesis.

The Return On Assets (ROA) variable before the pandemic and during the Covid-19 pandemic had an Asymp Sig (2-tailed) > 0.05, namely 0.644 and 0.460. So it can be concluded that the ROA variable before the pandemic and during the Covid-19 pandemic was normally distributed and a different paired sample t-test could be performed. The test was carried out because the requirements for conducting the Paired sample t-test test data must be normal.

The Price to Book Value (PBV) variable before the pandemic and during the Covid-19 pandemic had an Asymp Sig (2-tailed) value < 0.05, which was 0.001 each. it can be stated that the value of the DPR during the Covid-19 pandemic is not normally distributed. So that the Wilcoxon Signed Rank Test hypothesis must be tested.

Table 2. Test Results of Wilcoxon Signed Rank Test Dividend Payout Ratio

	DPR_SELAMA - DPR_SEBELUM
Z	-,393[b]
Asymp. Sig. (2-tailed)	,695

a. Wilcoxon Signed Ranks Test

b. Based on negative ranks.

Sumber : data diolah menggunakan SPSS 21.0

Sumber : Processed data of SPSS 21.0

The results of the Wilcoxon Signed Ranks Test in Table 2 show that the Dividend Payout Ratio value before and during the Covid-19 pandemic had an Asymp Sig (2-tailed) > 0.05, which is 0.695, which means there was no significant positive difference between before and during the period. Covid-19 pandemic.

Based on the existing theory, companies that have distributed dividends can certainly increase stock prices and will generate large capital gains. Signal theory is an action taken by company management that provides clues for investors about how management views the company's prospects (Eugene F. Brigham, 2009). It can be said that every increase or decrease in dividends and whether or not dividends are distributed can be believed by investors as a signal that the company will experience difficulties or not in the future (Wongso, 2013). Conditions like this can encourage investors to carry out evaluations so that they can predict the amount of dividends from stock prices circulating in the market. This means that the signal theory is still appropriate in influencing the value of stock prices where if the dividend increases then the market can react positively and vice versa, if the dividend decreases the market can react negatively.

DPR can also be regarded as one of the indicators to attract investors to join the company (Ilhamsyah & Soekotjo, 2017). Therefore, the higher the percentage of DPR generated from a company, it will also be profitable for shareholders and also attract investors to continue to invest in the company.

The final results of the DPR values of the companies studied can be said to be running quite well considering that with the sudden onset of the pandemic, companies are still able to distribute dividends. Likewise, companies can provide information openly about the financial situation by still distributing dividends to investors which is still in line with the theory used in this research, namely the signal theo

Table 3. Test Result of *Paired Sample T-Test Return On Assets*

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	ROA_SEBELUM - ROA_SELAMA	,01877842	,04452062	,00787021	,00272702	,03482981	2,386	31	,023

Sumber : Processed data of SPSS 21.0

Based on Table 3, it is known that the t-count of Return on Assets is 2.386, the degree of freedom is 31, and the significant value is 0.023 where the significant value is <0.05. It can be concluded from the ROA value of 0.023, it is stated that there is a difference between ROA before the Covid-19 pandemic and ROA during the Covid-19 pandemic.

Signal theory is an action taken by the company's management that provides clues to investors about how management views the company's prospects (Eugene F. Brigham, 2009). It can be said that a high ROA can be a good signal for investors. Because a high ROA shows the company's financial performance is in good condition and causes investors to be interested in investing their funds in the form of shares (Bui & Nguyen, 2021). With high stock demand, of course, it can increase stock prices. High profitability also shows that the company is in good condition, so investors will respond to the positive signal and the value of the company will increase. This means that signal theory has a great influence on ROA where both positive and negative signals received by investors can affect the company's prospects for the future (Bag et al., 2021).

Based on research conducted, the Covid-19 pandemic can cause a decrease in profits earned by the company. Even though ROA has decreased, it is still at a reasonable stage considering the sudden emergence of the pandemic. So it can be said that the company can make adjustments and still be able to make a profit. This is still in line with the signal theory where with the difference in ROA, investors can predict whether investments made in the future can still earn real profits given the ongoing pandemic conditions.

Tabel 4. Test Result of Wilcoxon Signed Rank Test Price Book Value

	PBV_SELAMA - PBV_SEBELUM
Z	-2,693[b]
Asymp. Sig. (2-tailed)	,007

a. Wilcoxon Signed Ranks Test

b. Based on positive ranks.

Sumber : Processed data of SPSS 21.0

The results of the Wilcoxon Signed Ranks Test in Table 4 show that the Dividend Payout Ratio value before and during the Covid-19 pandemic had an Asymp Sig (2-tailed) < 0.05, which is 0.007, which means there was a significant positive difference between before and during the pandemic. Covid-19.

Signal theory is an action taken by the company's management that provides clues to investors about how management views the company's prospects (He et al., 2020). To give a positive signal to investors, companies carry out CSR disclosures which in essence can provide information in the form of notes and company descriptions both in the past, present, and in the future (Aspirandi et al., 2020). With this CSR disclosure, the company hopes that investors can provide a positive value to the company (Kocsis, 2019). Of course, this is in line with the signal theory which states that with companies that disclose CSR, investors can assess the good or bad condition of a company. Because the true purpose of the investor itself is to seek profit, so companies that have bad values tend to be avoided by investors.

There are 9 out of 32 sample companies that are included in the Positive

Rank, the value of the entire study concludes that the PBV value before and during the Covid-19 pandemic stated that there were significant differences. Which means that several companies have experienced a fairly large impact due to the emergence of the Covid-19 pandemic which has caused the selling price of shares to fall.

Based on some of the explanations above, it can be said that the selling price of the company's shares that experienced a significant decline becomes a positive or negative signal for investors where investors can determine whether to keep their shares, or maybe increase the number of shares, or vice versa, namely selling their shares.

CONCLUSION

Covid-19 is very influential on changes in companies engaged in manufacturing, this can be proven in manufacturing companies in the Consumer Non-Cylicals and Healthcare sectors on the Indonesia Stock Exchange which have been observed to experience several declines related to profits and also a decrease in profits. the value of the company itself. Although the Dividend Payout Ratio was carried out 2 different tests, the final results obtained from the value of the DPR before the pandemic with the value of the DPR during the pandemic can be said that there is no difference. Different results in the Return On Asset test where using the Paired Sample t-Test test method, the conclusions obtained show that there is a significant difference between before the pandemic and during the Covid-19 pandemic in 1 period. One of the reasons is that the company experienced a decrease in the average ROA value of 0.0187784 or 1.8% during the Covid-19 pandemic within 1 period. The same results were also obtained on Price to Book Value, where testing using the Wilcoxon Signed Rank Test concluded that the PBV value before the pandemic with the PBV value during the pandemic can be stated to have a significant difference. One of the reasons is the decline in the selling price of shares.

Suggestions for the company that for the next period, the company must maintain the value of its share price in order to reflect the good and healthy condition of the company in the eyes of investors. With good management of production and operational activities, and minimizing the cost of purchasing raw materials, as well as maximizing the profits. So that the financial statements will display good financial reports. Later, investors will assume that the company is in good condition and will make investors believe in the company so that when investing in the company, investors will get bigger profits.

Suggestions for future researchers that future researchers are expected to use a different method. Other methods can be used, for example Fisher's test. In addition, further researchers can use samples in different company sectors, for example the transportation sector.

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