



The Impact of Liquidity and Profitability on Firm Value With Dividend Policy as An Intervening Variable (Empirical Study of Manufacturing Companies in The Pharmaceutical Sub Sector Listed on The Indonesia Stock Exchange in 2013-2017)

Dian Kristianti¹, John E. H. J. Foeh²

^{1,2}Faculty of Economics, Gunadarma University, Indonesia

¹e-mail: diankris41@gmail.com

Abstract. The purpose of this research is to know the description of corporate value and the influence of liquidity and profitability to firm value with dividend policy as intervening variable of pharmaceutical sub sector manufacturing companies listed in Indonesian Stock Exchange from 2013 until 2017. Liquidity in this research is measured by using current ratio (CR), profitability is measured by return on equity (ROE), dividend payout ratio (DPR), and firm value measured by price to book value (PBV). This research uses secondary data obtained from pharmaceutical sub-sector manufacturing companies listed in Indonesia Stock Exchange. Data analysis method uses Quantitative Descriptive Analysis, Multiple Linear Regression Analysis and Path Analysis. Data is processed using SPSS data analysis package software version 24.0. The overall conclusion is liquidity and profitability simultaneously or partially have a positive and significant effect on dividend policy, while liquidity, profitability, and dividend policy simultaneously have a positive and significant effect to firm value. But partially liquidity and profitability have a negative and significant effect to firm value, while dividend policy has a positive and significant effect to firm value. And, dividend policy is able to mediate the influence of liquidity and profitability to the value of pharmaceutical sub-sector manufacturing companies listed in Indonesia Stock Exchange.

Keywords: *firm value, liquidity, profitability and dividend policy*

PENDAHULUAN

Company publicly traded is a company that sells shares to investors who traded in the stock market. The main purpose of a company going public is to increase the prosperity of the owner or shareholders through increasing the value of the company. According to Jariah (2016: 108), in his research stated that the value of the company can prosper the maximum shareholders if the share price rises. The higher the stock price, the higher the value of the company. The high value of the company becomes the desire of the owners of the company, because the high value indicates the higher the prosperity of the shareholders.

Several factors can affect the value of the company include liquidity, profitability and dividend policy. Liquidity is the company's ability to pay the company's short-term obligations. Companies that have good liquidity will be considered to have good performance by investors. Liquidity can be measured by Current Ratio, which illustrates how much the current availability of the company's assets compared to the total current liabilities (Hery, 2015: 152). According to Prisilia (2013: 261) in his research revealed that liquidity affects the value of the company.

Profitability is the level of net profit obtained by the company when running its operations (Hardiyanti, 2012: 9). The higher the profitability of a company, it will reflect a high level of corporate efficiency as well, so that good company performance is seen. In this study the profitability ratio is measured by return on equity (ROE). ROE is a ratio that shows how much the company's ability to generate net income for return of equity to shareholders. According to (Mardiyati et al., 2012: 16) Profitability has a significant positive effect on firm value.

Dividend policy is the company's financial decision whether the profits obtained will be distributed to shareholders or retained as retained earnings. Dividends distributed are usually presented in Dividend Payout Ratio (DPR). DPR is what determines the amount of dividend per share. Sugiarto (2011: 21) and Fenandar (2012: 7) states that dividend policy has a significant positive effect on firm value.

Liquidity and profitability have an important role in dividend policy, where this policy can maximize the value of the company. Therefore, based on the relationship between liquidity and profitability with dividend policy, this study determined dividend policy as an intervening variable that mediates the relationship between profitability and liquidity on firm value.

Research on organization esteem has been done previously by Ria Nofrita (2013) with the title impact of benefit on firm an incentive with profit arrangement as a mediating variable (exact investigations on assembling organizations recorded on the Indonesia Stock Exchange). Result of study show that productivity and profit approach have a noteworthy beneficial outcome on firm worth, while the impact of profitability on devidend policy is not significant.

Based on the above description, this study aims to determine the factors that influence the value of the company, the factors are liquidity, profitability and deviden policy.

LITERATURE STUDY AND HYPOTHESIS

Corporate Value

High company value can increase prosperity for shareholders, so shareholders will invest their fund in the company (Hemastuti, 2014: 3). There are several methods that could measure the company value such as Price to Book value (PBV), liquidity, profitability, and dividend policy. Company value is measured by using PBV (*Price to Book Value*) measured by the formula as follows (Fahmi, Irham. 2015):

$$PBV = \frac{\text{Market Price per Share}}{\text{Book Value per Share}}$$

Liquidity, according to Hery (2015: 142), a liquidity ratio is a ratio that shows a company's ability to meet its short-term obligations. This ratio is used to measure to what extent the company's ability to pay off short-term obligations that will soon be due.

According to Mangasa Simatupang (2010:58), the current ratio is the ratio that illustrates the company's ability to meet short-term needs, namely by comparing current assets with current debt or short-term debt. The formulated by Kasmir (2020) as follows :

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Profitability, according to Hery (2015: 192), profitability ratios are ratios to measure a company's ability to generate profits from its normal business activities. This ratio also aims to measure the effectiveness of management in carrying out company operations.

According to Mangasa Simatupang (2010: 55), return on equity (ROE) is a ratio that describes a company's ability to generate profits from its own capital. The formuated by Kasmir (2010) as follows:

$$\text{ROE} = \frac{\text{Earning After Interest and Tax}}{\text{Equity}}$$

Dividend policy includes decisions regarding whether profits will be distributed to shareholders or will be retained for reinvestment in the company (Kamaludin and Indriani, 2012: 330).

Dividend payout ratio (DPR) is the ratio between dividends distributed compared to earnings per share obtained by the company (Mangasa, 2010: 39). Fahmi (2015) formulated as follows:

$$\text{DPR} = \frac{\text{Dividend per Share}}{\text{Earning per Share}}$$

Previous Research

Research by Anak Agung Ayu Tisna Wulan Dewi, and Ni Gst. Putu Wirawati (2018) entitled "The Effect of Profitability on Company Value with Corporate Social Responsibility as Intervening Variables". The results showed that only profitability had a positive effect on firm value, whereas CSR did not. The profitability variable has a positive effect on CSR, and the role of CSR is not found to mediate the effect of profitability on firm value.

Windi Diswani's research (2012) entitled "The Effect of Capital Structure and Profitability on Firm Value with Dividend Policy as Intervening Variables in Companies in the Included Jakarta Islamix Index 2007-2010". The results showed that: (1) Profitability had a positive and significant effect on dividend policy. (2) Capital structure has a negative and not significant effect on firm value. (3) Profitability has a positive and significant effect on firm value. (4) Dividend policy has a positive and significant effect on company value. (5) The results of this study cannot show that dividend policy can mediate a causal relationship between profitability and firm value. Thus, the effect of profitability on firm value is direct.

Hypothesis

Liquidity Against Corporate Value

Liquidity shows the ability of a company to fulfill its financial obligations which must immediately be fulfilled or when billed. Research (Prisilia, 2013: 261) liquidity has a positive and significant effect on firm value.

H1: Liquidity has a positive effect on company value

Profitability on Corporate Value

High profitability reflects the company's ability to generate high returns for shareholders. Research (Mardiyati et al., 2012: 16) the effect of profitability variables on firm value was found to have a positive and significant effect on manufacturing companies listed on the Indonesia Stock Exchange (BEI) for the period 2005-2010.

H2: Profitability has a positive effect on company value

Liquidity of Dividend Policy

According to Mardiyanto (2009: 54) liquidity measures the company's ability to pay off short-term obligations (debt) on time, including paying off the portion of long-term debt that falls due in the year concerned. The results of Nufiati's research (2015: 16) show that liquidity has a significant influence on cash dividends in public companies 25.

H3: Liquidity has a positive effect on dividend policy

Profitability for Dividend Policy

According to Wirjolukito, et al in Sulistyowati, et al (2010:4) states that the management will pay a dividend to give a signal about the company's success in recording profits. The results of research conducted by Parica, et al (2013: 11) show that profitability has a significant influence on dividend policy.

H4: Profitability has a positive effect on dividend policy

Dividend Policy on Corporate Values

According to (Martono and Harjito, 2005: 2) in Susanti (2010: 16) states that the value of the company can be seen from the company's ability to pay dividends. If the dividend paid is high, then the stock price will tend to be high so the value of the company is also high, and vice versa. The ability to pay dividends is closely related to the company's ability to make a profit. If the company gets a large profit, then the ability to pay dividends will also be large.

H5: Dividend policy has a positive effect on firm value.

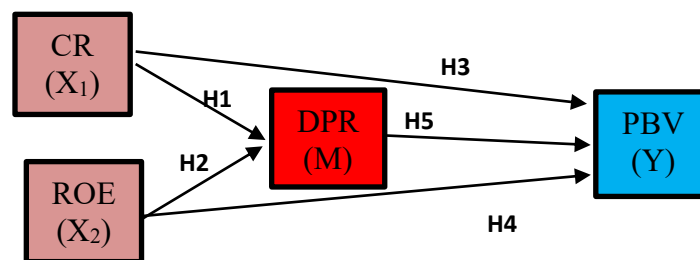


Figure 1. Research Model (Conceptual Framework)

RESEARCH METHOD

Type of research is quantitative descriptive, and is a causality research which means there is a relationship between two or more variables. The population were all pharmaceutical sub-sector manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2013-2017. Sampling is based on purposive sampling. Considerations as a sample selection criteria are as follows:

1. The pharmaceutical company is a company that has *gone public* and is listed on the Indonesia Stock Exchange in 2013-2017 which lists complete data consecutively during the study period.
2. The company published quarterly financial statements and ratios needed on the Indonesia Stock Exchange for 5 consecutive years from 2013-2017.
3. The company's financial statements have a financial year ending December 31.

Based on the sample criteria used in the study, a sample of 5 companies was obtained. Data used are secondary data. Secondary data in this study are in the form of current ratio (CR), return on equity (ROE), dividend payout ratio (DPR), and price to book value (PBV), where these data are sourced from the financial statements of pharmaceutical sub-sector manufacturing companies listed on the Indonesia Stock Exchange for the period 2013-2017. Data collection methods used literature study and documentation.

Exogenous variables in the path model are all variables that have no explicit causes or in the diagram there are no arrows in their direction, other than in the measurement error section,

(Sarwono & Suhayati, 2010). In this study who become independent variables including: Liquidity (X1) and Profitability (X2).

The dependent variable is a variable that includes an intermediate variable and a dependent/dependent variable (Sarwono & Suhayati, 2010). The dependent variable in this study is dividend policy and firm value.

Intervening variable (M) is a variable located between the independent variable and the dependent variable, so that the independent variable does not directly explain or influence the dependent variable. And the intervening variable in this research is dividend policy.

Statistical analysis is a statistic used to analyze data by describing or describing data that has been collected as it is without intending to make conclusions that apply to the public or generalization (Sugiyono, 2016: 207).

TEST METHOD

Classical Assumption

Normality Test

This test aims to test whether in the regression model, confounding or variables *residual* have a normal distribution (Ghozali, 2018: 161). Normality testing in this study is used by looking at the value of *2-tailed significant*. If (sig) > 5%, it can be concluded that H_0 is accepted, so the data is normally distributed and if (sig) < 5%, then H_0 cannot be accepted so the data is not normally distributed.

Multicollinearity Test

This test aims to test in the regression model whether there is a correlation between independent variables (Ghozali, 2018: 107). Testing of the possibility of multicollinearity can be seen by using the method *Tolerance Value* or *Variance Inflation Factor* (VIF). The value commonly used to indicate the presence of multicollinearity is a tolerance value < 0.10 or equal to VIF > 10.

Autocorrelation

This test aims to test whether in the linear regression model there is a correlation between the error of the intruder in the t period and the error of the intruder in the t-1 period previous). If there is a correlation, then there is a problem called autocorrelation (Ghozali, 2018: 111). To test the presence or absence of autocorrelation using the Durbin-Watson test (DW test). The Durbin-Watson (DW) number for detecting autocorrelation is: (1) A DW number below -2 means there is a negative autocorrelation. (2) A DW number between -2 to +2 means there is no correlation. (3) DW numbers above +2 mean there is a positive correlation.

Heteroscedasticity Test

Test aims to test whether in the regression model there is an inequality of *variance* from the residuals of one observation to another. A good model is homocedasticity or heteroscedasticity does not occur (Ghozali, 2018: 137), to detect the presence or absence of heteroscedasticity is to look at the plot graph between the predicted predictive value (ZPRED) and the residual (SRESID) where the Y axis is Y which has been predicted and the X axis is the residual (Y-Y predictions actually) that has distandardized.

Multiple Linear Regression Analysis

Regression aims to examine the relationship between one variable with another variable. Multiple linear regression equation:

Description: $Y_1 = \alpha + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$

$$Y_2 = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Y_1	= Dividend Policy
Y_2	= Firm Value
α	= Constants
$\beta_1, \beta_2, \beta_3$	= Variable regression coefficient (X_1, X_2, X_3)
X_1	= Liquidity
X_2	= Profitability
X_3	= Dividend Policy
ε	= <i>Standard Error</i>

Simultaneous Test (F-test)

According to Tri Basuki and Prawoto (2016: 87), Statistical Test F is used to determine whether all independent variables together have a significant influence on the dependent variable tested at the 0.05 significance level.

Partial Test (t-test)

According to Ghozali (2018: 98), t test basically shows how far the influence of one explanatory or independent variable individually in explaining the variation of the dependent variable tested at the 0.05 significance level.

The coefficient of determination (R^2)

The coefficient of determination was essentially measure how far the model's ability to explain the variation of the dependent variable (Ghozali, 2018: 97).

Path Analysis

Pathway analysis is an extension of the multiple linear regression analysis, or analysis of the track is the use of regression analysis to estimate the causal relationships between variables (causal models) predetermined based on the theory (Ghozali, 2018: 245).

DISCUSSION

Descriptive Statistics

Table 1. Summary of Company Values

No.	Company Object	Description 2013-2017
1.	PT. Darya Varya Laboratoria Tbk	Decreased
2.	PT. Kimia Farma (Persero) Tbk	Increased
3.	PT. Kalbe Farma Tbk	Decreased
4.	PT. Merck Tbk	Increases
5.	PT. Tempo Scan Pacific Tbk	Decreases

Classic Assumption

Test Normality Test

Table 2. Results of Normality

TestingTest	Asymp. Sig
Hypothesis I	0.927
Hypothesis II	0.185

Source: Secondary data processed with SPSS output 24.0

From the table of normality test results with *Kolmogorov-Smirnov* values obtained asymp test significance level. Sig (2-tailed) in hypothesis 1 is 0.927, while the Asymp value. Sig (2-tailed) in

hypothesis 2 is 0.185. This means that the residual data is normally distributed, because the asymp value. Sig (2-tailed) is greater than 0.05.

Multicollinearity Test

Table 3. Multicollinearity Test Results

Test	Variable	Tolerance	VIF
Hypothesis I	Liquidity (CR)	0.914	1,094
	Profitability (ROE)	0.914	1,094
Hypothesis II	Liquidity (CR)	0.389	2,573
	Profitability (ROE)	0.319	3.131
	Dividend Policy (DPR)	0.286	3,500

Data Source: Data secondary processed with SPSS output 24.0

From the table above it is known that the *Variant Inflation Factor* (VIF) value of variables such as CR and ROE has a VIF value <10 and value *tolerance* > 0.1 . Then it can be concluded that data does not occur multicollinearity.

Autocorrelation Test

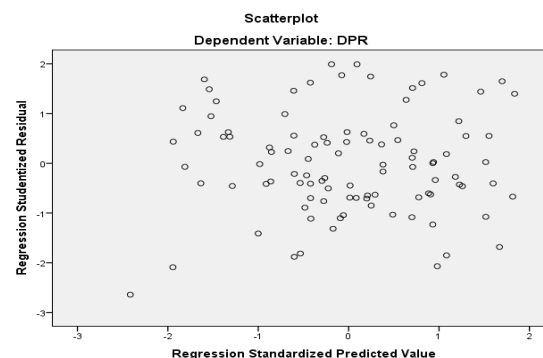
Table 4. Autocorrelation Test Results

Test	Durbin-Watson
Hypothesis I	1,208
Hypothesis II	1,332

Source: Secondary data processed with SPSS output 24.0

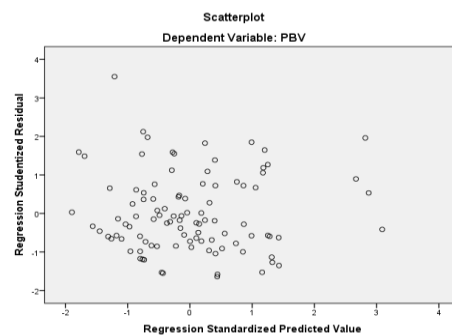
From the above table, autocorrelation test results are known that the Durbin-Watson (DW calculated) value in hypothesis I is amounted to 1,208 and hypothesis II amounted to 1,332. Based on the DW calculation results are included in the criteria -2 to +2, it is concluded that no autocorrelation occurred and the autocorrelation test was fulfilled.

Heteroscedasticity Test



Source: Secondary data processed by SPSS 24.0

Figure 2. Heteroscedasticity Test Results The Effect of Liquidity and Profitability on Dividend Policy



Source: Secondary data processed by SPSS 24.0

Figure 3. Heteroscedasticity Test Results The Effect of Liquidity, Profitability and Dividend Policy on Corporate Value

From Figure 2 and Figure 3 the results of the Heteroscedasticity test chart analysis results can be seen that the points do not form clear patterns, and the points spread above and below the number 0 on the Y axis. This shows that there was no heteroscedasticity.

Analysis of Multiple Linear Regression Equations Hypothesis I

Table 5. Results of Multiple Linear Regression Analysis
The Effect of Liquidity and Profitability on Dividend Policy

	B	S std.Error
Constant	2.646	0.393
CR	0.713	0.062
ROE	0.729	0.054

Source: Secondary data processed with SPSS 24.0 output

$$DPR = 2,646 + 0.713X_1 + 0.729X_2$$

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

α = constant value (α) is 2.646, meaning that if the independent variables namely *Current Ratio* (X_1) and *Return On Equity* (X_2) are zero, then the *Dividend Payout Ratio* is 2.646.

β_1 = regression coefficient value of the liquidity variable (X_1) is positive that is 0.713. This shows that every 1% increase in the variable *Current Ratio* will increase the *Dividend Payout Ratio* by 71.3% assuming the other variables are of fixed value.

β_2 = regression coefficient value of the profitability variable (X_2) is positive that is 0.729. This shows that every 1% increase in the Return variable *On Equity* will increase the *Dividend Payout Ratio* by 72.9% assuming the other variables are of fixed value.

Hypothesis Equation II

Table 6. Results of Multiple Linear Regression Analysis
The Effect of Liquidity, Profitability and Dividend Policy on Firm Value

	B	S std.Error
Constant	5.674	0.438
CR	-0.293	0.088
ROE	-0.105	0.084
DPR	0.602	0.093

Source: Secondary data processed with SPSS 24.0 output

$$PBV = 5,674 - 0.293X_1 - 0.105X_2 + 0.602X_3$$

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

α = constant value is 5,674, meaning that if the independent variables namely *Current Ratio* (X_1), *Return On Equity* (X_2) and *Dividend Payout Ratio* (DPR) are zero, then Value The company is worth 5,674.

β_1 = regression coefficient value of the liquidity variable (X_1) is negative, that is (-0.293). This shows that every 1% increase in the variable *Current Ratio* will reduce the value of the company by 29.3% assuming the other variables are of fixed value.

β_2 = regression coefficient value of the profitability variable (X_2) is negative, that is (-0.105). This shows that every 1% increase in the variable *Return On Equity* will reduce the value of the company by 10.5% assuming other variables are of fixed value.

β_3 = regression coefficient value of the dividend policy variable (X_3) is positive (0.602). This shows that every 1% increase in the variable *Current Ratio* will increase the value of the company by 60.2% assuming the other variables are of fixed value.

Simultaneous Test (F-test) Hypothesis Test I

Table 7. Test Results Simultaneous Test Results (F-Test)
The Effect of CR and ROE on Dividend Policy

ANOVA ^b					
Model		Sum of Squares	Df	Mean Square	Sig.
1	Regression	99,342 121,24 7 .000	2		198, 683 a
	Residual	79 475	97	.819	
	Total	278 158	99		

a. Predictors: (Constant), ROE, CR

b. Dependent Variable: DPR

Source: SPSS Output 24.0

Based on the results in Table 7 shows the F value_{calculated} of 121.247 while the significance value of 0.000, which means it is smaller than the level of significant specified (0.05). So it can be concluded that Liquidity and Profitability together have a significant effect on Dividend Policy.

Hypothesis Test II

Table 8. Simultaneous Test Results (Test F)
Effect of CR, ROE and DPR on Company Value

ANOVA ^b					
Model		Sum of Squares	df	Mean Square	F
1	Regression	25,835	3		
		37,389			
		.000			
	Residual	66 335	96	.691	
	Total	143	99		
		841			

a. Predictors: (Constant), DPR, CR, ROE

b. Dependent Variable: PBV

Source: SPSS Output 24.0

Based on the results in Table 8 shows the F value^{calculated} of 37,389 while the significance value of 0,000, which means it is smaller than *the level of significant* specified (0.05). So it can be concluded that Liquidity, Profitability and Dividend Policy together have a significant influence on Company Value.

Partial Test (t-test)

Table 9. Partial Test Results (t Test)

Testing	Variable	t	Sig.
Hypothesis I	CR □ DPR	11 455	0000
	ROE □ DPR	13,440	0000
Hypothesis II	CR □ PBV	-6762	0000
	ROE □ PBV	-1240	0018
	DPR □ PBV	6454	0000

Source: Secondary data were processed with SPSS output 24.0

Hypothesis I

Liquidity Effect on Dividend Policy

Based on Table 9. shows that the calculated value of the Liquidity of the Dividend Policy is 11,455 > 1,660 with a significance level of 0,000 < 0.05. Thus the results of this study accept the first hypothesis that Liquidity has a positive and significant effect on Dividend Policy in Pharmaceutical Sub Sector Manufacturing Companies in the Indonesia Stock Exchange in 2013-2017.

Effect of Profitability on Dividend Policy

Based on Table 9. shows that the t-value of the Profitability on Dividend Policy is 13,440 > 1,660 with a significance level of 0,000 < 0.05. Thus the results of this study accept the second hypothesis that profitability has a positive and significant effect on Dividend Policy in Pharmaceutical Sub Sector Manufacturing Companies in the Indonesia Stock Exchange in 2013-2017.

Hypothesis II

Effect of Liquidity on Firm Value

Based on Table 9. shows that the t-value of Liquidity against Firm Value is $-6,762 < 1,661$ with a significance level of $0,000 < 0.05$. Thus the results of this study accept the third hypothesis that Liquidity has a negative and significant effect on Company Value in Pharmaceutical Sub Sector Companies in the Indonesia Stock Exchange in 2013-2017.

Effect of Profitability on Firm Value

Based on Table 9 shows that the t-value of the Profitability to Firm Value is $-1,240 < 1,661$ with a significance level of $0.018 < 0.05$. Thus the results of this study accept the fourth hypothesis that profitability has a negative and significant effect on firm value in pharmaceutical sub-sector manufacturing companies on the Indonesia Stock Exchange in 2013-2017.

Effect of Dividend Policy on Firm Value

Based on Table 9 shows that the t-value of the Dividend Policy on Firm Value is $6,454 > 1,661$ with a significance level of $0,000 < 0.05$. Thus the results of this study accept the fifth hypothesis that profitability has a positive and significant effect on firm value in pharmaceutical sub-sector manufacturing companies on the Indonesia Stock Exchange in 2013-2017.

Determination Coefficient Test

Table 10. Determination Coefficient Test Results

Model	Adj R ²
Hypothesis I.	.708
Hypothesis II	.524

Source: Secondary data processed with SPSS output 24.0

Based on Table 10, the *Adjusted R Square* value for Hypothesis 1 is 0.708. This shows that the percentage of influence of independent variables (CR and ROE) on the dependent variable (DPR) is 70.8%, while the remaining 29.2% is influenced by other factors not included in this regression model. And the value of *Adjusted R Square* in hypothesis 2 is known as 0.524. This shows that the percentage of influence of independent variables (CR, ROE and DPR) on the dependent variable (PBV) is 52.4%, while the remaining 47.6% is influenced by other factors not included in this regression model.

Path Analysis

Line Diagrams

The following is the path diagram results obtained from the analysis.

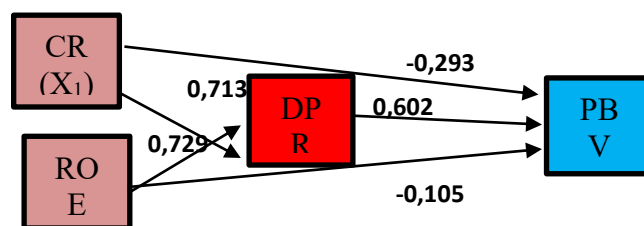


Figure 3. Structural Model Path Analysis

Description Calculation:

Liquidity of

Direct Effects ($X_1 \rightarrow Y$) = -0.293 Indirect

Effects ($X(X_{11} \rightarrow Y) * (M \rightarrow Y) = 0.713 \times 0.602 = 0.429 \rightarrow Y$)

Profitability of

Direct Effects $X_2 \rightarrow Y$) = -0.105 Indirect

Influence ($X_2 \rightarrow Y$) * ($M \rightarrow Y$) = $0.729 \times 0.602 = 0.438$

Dividend Policy Mediating the Effect of Liquidity on Firm Value

Based on calculations using the Path analysis above, a coefficient of direct effect liquidity is obtained to the company's value of -0.293 and the indirect effect of liquidity on the company's value of 0.429, meaning that the indirect effect (0.429) is greater than the direct influence (-0.293), so it can be concluded that liquidity has an indirect effect on firm value through dividend policy.

Dividend Policy Mediates the Effect of Profitability on Firm Value

Based on calculations using the Path analysis above, the coefficient of direct effect on profitability on firm value is obtained and the indirect effect of liquidity on firm value is 0.438, meaning that the indirect effect (0.438) is greater than on direct influence (-0.105), so it can be concluded that liquidity has an indirect effect on firm value through dividend policy.

CONCLUSION

Conclusion

Based on the results of research and discussion in this study, it can be concluded as follows:

1. The value of pharmaceutical sub-sector manufacturing companies listed on the Indonesia Stock Exchange in 2013-2017 tends to fluctuate, there are two companies experiencing an increase namely PT Kimia Farma (Persero) Tbk and PT Merck Tbk, and 3 pharmaceutical companies that experienced a decline namely at PT Darya-Varia Laboratoria Tbk, PT Kalbe Farma Tbk, and PT. Tempo Scan Pacific Tbk.
2. Liquidity and profitability have a positive and significant effect on dividend policy on pharmaceutical sub-sector manufacturing companies listed on the Indonesia Stock Exchange in 2013-2017.
3. Liquidity and profitability have a negative and significant effect on firm value, while dividend policy has a positive and significant effect on firm value, and dividend policy is able to mediate the effect of liquidity and profitability on the value of pharmaceutical sub-sector manufacturing companies listed on the Indonesia Stock Exchange in 2013-2017.

Suggestion

Based on the conclusions, it is suggested as follows:

1. Companies should continue to improve their ability to generate profits, both in increasing sales or using assets optimally.
2. Companies should limit the use of large amounts of debt and make investments such as the addition of fixed assets can encourage company productivity.
3. Determine policies in the payment of dividends appropriately in order to determine the price of shares sold which later causes a positive stock price reaction so that investors will be interested in investing in the company.

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