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THE EFFECT OF DIVIDEND POLICY ON FIRM VALUE IN THE PERSPECTIVE OF RETURN ON EQUITY RATIO, CURRENT RATIO, AND DEBT-TO-EQUITY RATIO (STUDY OF ENERGY SECTOR COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE FOR THE PERIOD 2016-2020)

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ABSTRACT

This study aims to analyze the effect of Dividend Policy on Firm Value, focusing on Return on Equity Ratio, Current Ratio, and Debt-to-Equity Ratio in energy sector companies listed on the Indonesia Stock Exchange during the 2016-2020 period. The sample selection method is purposive sampling, which results in 10 companies as samples. This study uses descriptive analysis and multiple linear regression, which is extended with path analysis. The results showed that Return on Equity Ratio, Current Ratio, and Debt-to-Equity Ratio partially had no significant effect on Dividend Payout Ratio. Meanwhile, Return on Equity Ratio has a positive influence on Price to Book Value. However, Current Ratio and Debt-to-Equity Ratio do not show a significant effect on Price to Book Value. Finally, Dividend Payout Ratio is proven to have a positive effect on Price to Book Value.

Keywords: *Return on Equity Ratio, Current Ratio, Debt-to-Equity Ratio, Dividend Payout Ratio, Price to Book Value.*

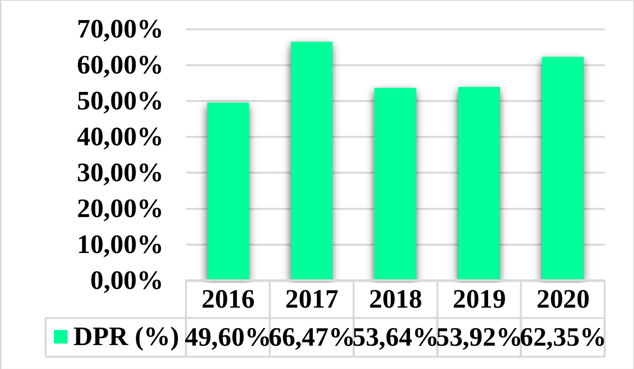
1. INTRODUCTION

In investing, investors need to collect and record important information as a basis for decision making. Financial reports play an important role in presenting information about the company's performance to stakeholders as an investment consideration. These stakeholders include investors, company owners, creditors, and the government (Sutrisno, 2013).

The uncertainty of returns in investment requires investors to be careful and analyze company performance (Tandelilin, 2017). There are two main benefits for investors in the stock market, namely capital gains and dividends. Capital gains are profits from trading shares in the secondary market, while dividends are part of the company's profits distributed to shareholders in a certain period.

The energy sector is a dynamic, strategic area and contributes significantly to the Indonesian economy, not only in terms of state revenue but also in job creation (Yusgiantoro, 2021). The companies that are the subject of this study are part of the energy sector listed on the Indonesia Stock Exchange, given the vital role of this sector in contributing to state revenue and for investors.

The energy sector comprises seventy-three companies, with thirty-seven listed on the main board and thirty-six on the development board. Energy sources, including coal, natural gas, petroleum, and electricity, are essential in all aspects of life. According to information obtained from the Government Goods and Services Procurement Policy Agency (LKKP) for 2018-2019, in 2018, the state revenue contribution from the oil and gas sector amounted to Rp142.8 trillion and in 2019 to Rp121.08 trillion. Meanwhile, state revenue from the energy sector in 2018 was Rp30.31 trillion, and in 2019 it was Rp26.34 trillion.



Graph 1. Average Dividend Payout Ratio for energy sector companies listed on the Indonesia Stock Exchange 2016-2020.
Source: Indonesia Stock Exchange (2022), processed data

Based on Graph 1, the development of companies in the energy sector from 2016-2020 showed an increase, but in 2018-2019, there was a decline, managing to pay dividends of only 53.64% and 53.92%. This occurred due to the low commodity prices resulting from over supply, affecting the decrease in the fundamental performance of mining issuers. In 2016-2017, companies in the energy sector experienced a significant increase of 16.87% due to the refinement of laws and regulations by the Indonesian government providing incentives to investors in the energy sector.

Company value is a ratio used to measure how capable a company is in creating value for society or shareholders (Sutrisno, 2013). In this study, company value is measured using the Price to Book Value indicator. The use of the Price to Book Value indicator is suitable for investors in making investment decisions. Price to Book Value can show whether the stock price is below or at the book value of the stock (Harahap, 2007).

Dividend policy is a managerial policy in determining whether a company's profits will be distributed to shareholders or retained as earnings. In this study, dividend policy is measured using the Dividend Payout Ratio. The use of the Dividend Payout Ratio variable is a ratio used to assess the number of dividends that the company will give to shareholders in the future (Sutrisno, 2013). This ratio can show the amount of net profit that will be reinvested or retained by the company for profit growth in the coming year (Tatang, 2013). (Tatang, 2013).

Profitability is a ratio used to measure the extent of a company's strength in generating profits through various sources it possesses (I Made Sudana, 2015). In this study, the profitability ratio is measured using the Return on Equity Ratio, which is a ratio used to measure a company's ability to generate profits using its own capital (Sutrisno, 2013). According to Kasmir (2017), the higher the Return on Equity Ratio, the higher the future profits will be.

Liquidity is a ratio used to measure a company's ability to pay off its short-term debts. In this study, liquidity is measured using the Current Ratio. The higher the Current Ratio level, the greater the company's ability to pay off its debts. Conversely, if the Current Ratio level is lower, the lower the company's ability to pay off its debts (Sutrisno, 2013).

Leverage is a ratio used to measure how much of the company's funding needs will be financed using debt. In this study, leverage is measured using the Debt-to-Equity Ratio. The higher the Debt-to-Equity Ratio level, the less equity is used by the company in favor of using its debt (Sutrisno, 2013).

The Effect of Dividend Payout Ratio on Price to Book Value

The Dividend Payout Ratio has a positive relationship with Price to Book Value. This theory states that if a company increases its dividend payments, it is interpreted by investors as an indication of improved company performance and better business prospects in the future, attracting investors to invest. The higher demand for the

company's shares means the value of the company reflected in the stock price will increase (Kasmiati and Santosa, 2019). Empirical studies have found that dividend payout has a positive effect on price to book value (Sigiastuti and Dzulkirom, 2018), whereas different results were shown by Olivia and Wiksuana (2021) that dividend payout has a negative effect on price to book value.
H1: Based on the above theory, dividend payout has a positive effect on company value.

The Effect of Return on Equity on Price to Book Value

If a company's profitability increases, it can enhance the company value. Theoretically, high profitability can reflect a company's ability to generate high profits for shareholders. With a high Return on Equity Ratio, it attracts investors to invest their capital, which will ultimately increase the stock price (Kasmir, 2017). Ovinda and Martua (2019) from their research revealed that return on equity has a positive effect on price to book value. The same results were also revealed by Perdana et al. (2020), Dian and Jhon (2020), and Desmiza (2021) that return on equity has a positive effect on company value.
H2: Based on the above theory, it can be hypothesized that the Return on Equity Ratio has a positive effect on Price to Book Value.

The Effect of Current Ratio on Price to Book Value

The signaling theory states that if a company's ability to cover short-term obligations is responded to positively by the market, then market confidence will increase. A company with a high level of liquidity indicates that the company has excellent performance with low operational risk and low returns (Subranyaman, 2014; Kasmiati and Santosa, 2019). Findings by Perdana et al. (2020) stated that the current ratio has a positive effect on price to book value, meaning that the company's ability to meet its short-term obligations will be responded to positively by the market because the company has good performance with low operational risk. The same results were also shown by Dian and Jhon (2020) and Syamsinah et al. (2021) that the current ratio has a positive effect on stock prices.
H3: Based on the above theory, the Current Ratio has a positive effect on Price to Book Value.

The Effect of Debt-to-Equity Ratio on Price to Book Value

According to Dewi and Wirajaya (2013) , the use of a capital structure with high debt can provide greater benefits for the company, if the debt is used according to its purpose, thus the debt is still permissible as a source of funding. This can increase investor confidence because the company has good prospects in the future, so investors will be interested in buying the company's shares, which in turn will increase the company's value. Research results by Sugiastuti and Dzulkirom (2018) and Febrilia and Nora (2021) showed that the debt-to-equity ratio has a positive effect on price to book value. The same results were also revealed by Aang (2018) and Anaz and Andayani (2021) that the debt-to-equity ratio has a negative effect on stock prices.
H4: Based on the above theory, the Debt-to-Equity Ratio has a positive effect on Price to Book Value.

The Effect of Return on Equity on Dividend Payout Ratio

The Stability of Dividend Theory states that the Return on Equity Ratio has a positive relationship with the Dividend Payout Ratio. This theory asserts that the main factors in dividend payments are current earnings and the previous year's dividends, where if the company's earnings increase, the portion of profits for shareholders will also increase, resulting in higher dividends. Research by Purba, Sheren, and Valen (2019) indicates that return on equity has a positive effect on the dividend payout.
H5: Based on the above theory, return on equity positively influences the dividend payout ratio.

The Effect of Current Ratio on Dividend Payout Ratio

The higher the Current Ratio level, the greater the company's ability to pay off its debts. Conversely, if the Current Ratio level is lower, the lower the company's ability to settle its debts (Sutrisno, 2013). The Current Ratio has a positive relationship with the Dividend Payout Ratio. This theory posits that if a company has poor liquidity conditions, it usually has a low dividend, as most of the profits are used to increase liquidity. Well-established companies with good liquidity tend to offer larger dividends (Sutrisno, 2013). Research by Perdana et al. (2020) shows that the current ratio has a negative effect on price to book value.

H6: Based on the above theory, the current ratio has a positive effect on the dividend payout.

The Effect of Debt-to-Equity Ratio on Dividend Payout Ratio

According to Sutrisno (2013), the higher the Debt-to-Equity Ratio, the less equity is used by the company compared to debt. Theoretically, if a company has a high debt proportion, then most of the profits earned will be used to pay off debts that are due, resulting in a smaller portion of profits for shareholders. Research by Niki (2019) states that the Debt Equity Ratio has a significant effect on the Dividend Payout Ratio. This indicates that if a company is in a condition of insolvency or unfavorable solvency, the company usually does not distribute profits, because the profits earned are more allocated to improve the position of its capital structure. Research by Ginting (2018), Tyas, Mardani, and Wahono (2019), and Adityo and Heykal (2020) states that the Debt-to-Equity Ratio has a negative effect on the Dividend Payout Ratio.

H7: Based on the above theory, the debt-to-equity ratio negatively affects the dividend payout ratio.

2. METHOD

Population and Sample

The population used in this study consists of 73 companies in the energy sector, including those on the acceleration and development boards, listed on the Indonesia Stock Exchange for the period 2016-2020. Based on purposive sampling criteria, a sample of 10 companies was obtained from the 73 companies in the energy sector. The criteria used in the sample selection for this study include companies that were consistently part of the energy sector on the Indonesia Stock Exchange during the 2016-2020 period, companies that published financial reports regularly over the 5 years of the 2016-2020 period (financial reports as of December 31), and companies that published financial reports and provided all the data needed regarding research variables, namely Return on Equity Ratio, Current Ratio, Debt-to-Equity Ratio, Dividend Payout Ratio, and Price to Book Value.

The researcher used the documentation technique by searching for financial report data of energy sector companies listed on the Indonesia Stock Exchange for the 2016-2020 period. In addition to using the documentation method, this method was supported by studying and reading various literatures, journals, previous research, and other readings sourced from the internet. The tools used to test this data are the Statistical Program for the Social Sciences (SPSS) version 25, and EViews software version 12.

3. RESULTS AND DISCUSSION

Descriptive Statistics Table

	N	Minimum	Maximum	Mean	Std. Deviation
ROE (%)	50	4.00	55.00	18.9020	12.02660
CR (x)	50	0.90	6.30	2.0722	1.03940
DER (x)	50	0.01	1.72	0.5860	0.42676
DPR (%)	50	10.00	149.00	57.1956	31.50240
PBV (x)	50	0.41	4.66	1.7234	0.97738
Valid N (listwise)	50				

Source: SPSS version 25 processing results, 2022

Based on the results of the descriptive statistical test above, the average return on equity is 18.90, meaning the companies selected as research samples have a positive profit or experience profit. The Current Ratio with an average value of 2.07 times means the company can meet its short-term obligations 2.07 times its short-term debt. The average Debt-to-Equity Ratio value is 59%, meaning 59% of the company's funding comes from debt, which still falls within the use of debt based on conservative principles where the debt-to-equity ratio is 50%. The Dividend Payout Ratio has an average value of 57.20%, meaning the researched companies are able to pay dividends of 57.2% of the profit earned. The average Price to Book Value is 1.72 times, meaning the market value of the company's shares is almost twice its book value.

Panel Data Regression Test

Estimation of panel data regression Common Effect Model, Fixed Effect Model, and Random Effect Model

Variable	CEM		FEM		REM	
	COEF	P-VAL	COEF	P-VAL	COEF	P-VAL
C	0.3834	0.4163	0.7819	0.1143	0.7142	0.1207
Return on Equity Ratio	0.0434	0.0513	0.0218	0.0205	0.0272	0.0017
Current Ratio	-0.0200	0.5408	0.2849	0.0434	0.1977	0.0999
Debt Equity Ratio	0.1919	0.8764	-0.0920	0.7782	-0.0212	0.9407
Dividend Payout Ratio	0.0078	0.0001	-0.0001	0.9733	0.0017	0.5906
R-Square	0.3857		0.8090		0.2198	
Adjusted R-Square	0.3311		0.7400		0.1505	
F-Statistic	70.628		117.301		31.703	
Prob (F-Statistic)	0.0002		0.0000		0.0223	

Source: EViews version 12 processing results, 2022

To determine the best estimate, Chow test, Hausman test, and Lagrange Multiplier test were conducted. The following tests used EViews version 12 software. First, the researcher performed the Chow test as follows:

Chow Test Results

Effects Test	Statistics	d.f	Prob.
Cross-section F	88.661	(9.36)	0.0000
Cross-section Chi-square	584.151	9	0.0000

Source: EViews version 12 processing results, 2022

Based on the Chow test results, the probability value of the Cross-section Chi-square is 0.000 < 0.05, meaning Ho is rejected. This indicates that the best estimate is to use the Fixed Effect Model method. Next, the results of the Hausman test are as follows:

Hausman Test Results

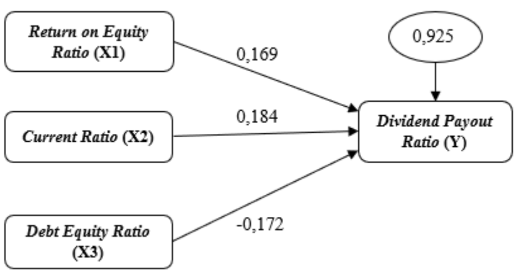
Test Summary	Chi-Sq. Statistics	Chi-Sq. d.f.	Prob.
Cross-section Random	122.848	4	0.0154

Source: EViews version 12 processing results, 2022

Based on the results of the Hausman test, the probability value is 0.0154 < 0.05, meaning Ho is rejected. This indicates that the best estimate is to use the Fixed Effect Model method.

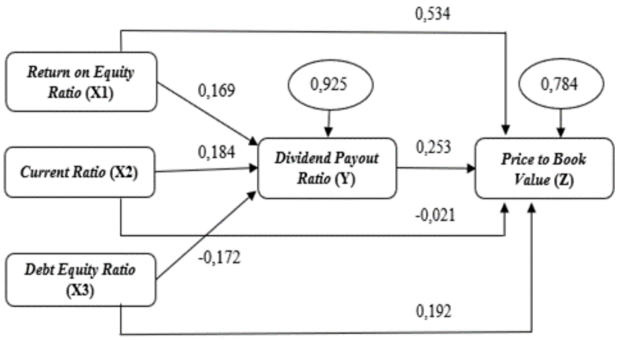
Path Analysis Test

Below are the results of the path analysis test as follows:



Path Analysis Results of Equation Model 1

Based on the above figure, the value of e1, which represents the Dividend Payout Ratio variable, can be calculated with e1 = $\sqrt{(1-0.145)} = 0.925$. Based on the analysis results with regression model equation 1, the path coefficient values for Return on Equity Ratio, Current Ratio, and Debt-to-Equity Ratio towards Dividend Payout Ratio are obtained as 0.169, 0.184, and -0.172, respectively.



Path Analysis Results of Equation Model 2

Based on the figure 4.2 above, the value of e2, which represents the Price to Book Value variable, can be calculated with e2 = $\sqrt{(1-0.386)} = 0.784$. Based on the analysis results with regression model equation 1, the path coefficient values for Return on Equity Ratio, Current Ratio, Debt-to-Equity Ratio, and Dividend Payout Ratio towards Price to Book Value are obtained as 0.534, -0.021, 0.192, and 0.253, respectively.

Hypothesis Testing using t-Test

This study's t-test aims to determine the effect of Return on Equity Ratio, Current Ratio, Debt-to-Equity Ratio, partially on Dividend Payout Ratio as well as on Price to Book Value. The table below shows the t-test results from 7 hypotheses as follows:

Hypothesis Testing Results using t-Test for Equation 1

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	44.695	16.295		2.743	0.009
	ROE (X1)	0.443	0.365	0.169	1.212	0.232
	CR (X2)	5.592	4.751	0.184	1.177	0.245
	DER (X3)	-12.718	11.563	-0.172	-1.1	0.277

a. Dependent Variable: DPR (Y), The t_{table} value is 2.01290 rounded to 2.013.

Source: SPSS version 25 processing results, 2022

Based on the table above, the hypothesis testing results using t-test model equation 1 are that the tcount value for Return on Equity Ratio is 0.606 < ttable value of 2.013. Using an alpha value of 0.05, the significance level of Return on Equity is 0.116 > 0.05. This means H0 is accepted and Ha is rejected. Thus, partially, the Return on Equity Ratio has no effect on Dividend Payout Ratio. The tcount value for Current Ratio is 0.588 < ttable value of 2.013. Using an alpha value of 0.05, the significance level of Current Ratio is 0.122 > 0.05. This means H0 is accepted and Ha is rejected. Thus, partially, Current Ratio has no effect on Dividend Payout Ratio. The tcount value for Debt-to-Equity Ratio is -0.55 < ttable value of 2.013. Using an alpha value of 0.05, the significance level of Debt-to-Equity Ratio is 0.138 > 0.05. This means H0 is accepted and Ha is rejected. Thus, partially, Debt-to-Equity Ratio has no effect on Dividend Payout Ratio.

Hypothesis Testing Results using t-Test for Equation 2

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
2	(Constant)	0.383	0.467		0.821	0.416
	ROE (X1)	0.043	0.010	0.534	4.401	0.000
	CR (X2)	-0.020	0.128	-0.021	-0.156	0.876
	DER (X3)	0.192	0.311	0.084	0.616	0.541
	DPR (Y)	0.008	0.004	0.253	2.003	0.051

a. Dependent Variable: PBV (Z), The t_{table} value is 2.01410 rounded to 2.014

Source: SPSS version 25 processing results, 2022

Based on the table above, the hypothesis testing results using t-test model equation 2 are as follows: The tcount value for Return on Equity Ratio is 2.200 > ttable value of 2.014. Using an alpha value of 0.05, the significance level of Return on Equity Ratio is 0.000 < 0.05. This means H0 is rejected and Ha is accepted. Thus, partially, the Return on Equity Ratio has a positive effect on Price to Book Value. The tcount value for Current Ratio is -0.078 < ttable value of 2.014. Using an alpha value of 0.05, the significance level of Current Ratio is 0.438 > 0.05. This means H0 is accepted and Ha is rejected. Thus, partially, Current Ratio has no effect on Price to Book Value. The tcount value for Debt-to-Equity Ratio is 0.308 > ttable value of 2.014. Using an alpha value of 0.05, the significance level of Debt-to-Equity Ratio is 0.270 > 0.05. This means H0 is accepted and Ha is rejected. Thus, partially, Debt-to-Equity Ratio has no significant effect on Price to Book Value. The tcount value for Dividend Payout Ratio is 1.001 < ttable value of 2.014. Using an alpha value of 0.1, the significance level of Dividend Payout Ratio is 0.025 < 0.05. This means H0 is rejected and Ha is accepted. Thus, partially, Dividend Payout Ratio has a positive effect on Price to Book Value.

Hypothesis Testing Results using F-Test

Hypothesis Testing Results using F-Test for Equation 1

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7028.794	3	2342.931	2.591	.064[b]
	Residual	41598.878	46	904.323		
	Total	48627.672	49			

a. Dependent Variable: DPR (Y)

b. Predictors: (Constant), DER (X3), ROE (X1), CR (X2)

Source: SPSS version 25 processing results, 2022

Hypothesis Testing Results using F-Test for Equation 2

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	18.053	4	4.513	7.063	.000[b]
	Residual	28.755	45	0.639		
	Total	46.808	49			

a. Dependent Variable: PBV (Z)

b. Predictors: (Constant), DPR (Y), ROE (X1), DER (X3), CR (X2)

Source: SPSS version 25 processing results, 2022

In equation model 1, a significant value of 0.064 > 0.05 was obtained. Thus, H0 is accepted and Ha is rejected. This means that in this study, the Return on Equity Ratio, Current Ratio, and Debt-to-Equity Ratio simultaneously have no effect on the Dividend Payout Ratio. In equation model 2, a significant value of 0.000 < 0.05 was obtained. Thus, H0 is rejected and Ha is accepted. This means that in this study, the Return on Equity Ratio, Current Ratio, Debt-to-Equity Ratio, and Dividend Payout Ratio simultaneously have an effect on Price to Book Value.

Sobel Test

Input:			Test statistic:	Std. Error:	*p*-value:
a	0.443	Sobel test:	1.03758953	0.00341561	0.29946119
b	0.008	Aroian test:	0.95408242	0.00371456	0.34004192
s_a	0.365	Goodman test:	1.14772617	0.00308784	0.25108162
s_b	0.004	Reset all	Calculate		

The effect of Return on Equity Ratio on Price to Book Value through Dividend Payout Ratio

Input:			Test statistic:	Std. Error:	*p*-value:
a	5.592	Sobel test:	1.01438904	0.04410142	0.31039715
b	0.008	Aroian test:	0.93157807	0.04802174	0.35155462
s_a	4.751	Goodman test:	1.12411113	0.03979678	0.26096588
s_b	0.004	Reset all	Calculate		

The effect of Current Ratio on Price to Book Value through Dividend Payout Ratio

Input:			Test statistic:	Std. Error:	*p*-value:
a	-12.718	Sobel test:	-0.96376186	0.10556965	0.33516533
b	0.008	Aroian test:	-0.88275694	0.11525709	0.37736761
s_a	11.563	Goodman test:	-1.0721363	0.09489838	0.28365882
s_b	0.004	Reset all	Calculate		

The effect of Debt-to-Equity Ratio on Price to Book Value through Dividend Payout Ratio

The tcount value is 1.038 < ttable value of 2.013, meaning the Dividend Payout Ratio does not mediate the effect of Return on Equity Ratio on Price to Book Value. The tcount value is 1.014 < ttable value of 2.013, meaning the Dividend Payout Ratio does not mediate the effect of Current Ratio on Price to Book Value. The tcount value is -0.964 < ttable value of 2.013, meaning the Dividend Payout Ratio does not mediate the effect of Debt-to-Equity Ratio on Price to Book Value.

The effect of return on equity on the dividend payout ratio

Based on the test results in Table 4.10, the test found that the Return on Equity Ratio does not have a positive effect on the Dividend Payout Ratio, with a p-value of 0.232 > 0.05. These results do not align with the initial hypothesis stating that the Return on Equity Ratio positively affects the Dividend Payout Ratio. This indicates that an increase or decrease in the Return on Equity Ratio does not affect the increase or decrease in the Dividend Payout Ratio. This finding suggests that even though companies may increase profits, they do not necessarily increase dividend payments. It is suspected that the profits of the researched companies are allocated to increase the company's capital. Companies prioritizing the addition of business capital for the next period is one way to strengthen the capital structure. For example, in 2018, the Return on Equity Ratio increased by 0.38%, but the Dividend Payout Ratio decreased by 12.83%. Furthermore, in 2020, the Return on Equity Ratio decreased by 3.18%, but the Dividend Payout Ratio increased by 8.43%. Additionally, companies usually allocate profits to pay off short-term or long-term debt. Thus, companies will make dividend distribution policies only if there is leftover profit after all operational costs and business expansion activities are met (Noto et al., 2017).

The effect of the current ratio on the dividend payout ratio

Based on the test results in Table 4.10, it was found that the Current Ratio does not have a positive effect on the Dividend Payout Ratio with a p-value of 0.245 > 0.05. These findings do not align with the second research hypothesis, which stated that the Current Ratio positively affects the Dividend Payout Ratio. This indicates that an increase or decrease in the Current Ratio does not affect the increase or decrease in the Dividend Payout Ratio. This finding suggests that even though a company can pay its short-term obligations, it does not necessarily increase dividend payments. For example, in 2017, the Current Ratio decreased by 13 times, yet the Dividend Payout Ratio increased by 16.87%. It is suspected that the researched companies still have a high debt ratio, which prevents them from increasing dividend payments. Furthermore, there might be inefficient use of cash that could cause losses, leading to companies not being able to distribute dividends (Purba et al. 2019).

The effect of the Debt-to-Equity Ratio on the Dividend Payout Ratio

Based on the test results in Table 4.10, it was found that the Debt-to-Equity Ratio does not have a negative effect on the Dividend Payout Ratio with a p-value of 0.277 > 0.05. These results do not align with the third research hypothesis, which stated that the Debt-to-Equity Ratio negatively affects the Dividend Payout Ratio partially. This indicates that an increase or decrease in the Debt-to-Equity Ratio does not affect the increase or decrease in the Dividend Payout Ratio. This finding suggests that companies with a high level of debt prefer to retain their profits rather than distribute them as dividends. Companies with high levels of debt are oriented towards settling their debts, so the profits eventually obtained are allocated first to pay off their debts. For example, in 2018, the Debt-to-Equity Ratio increased by 0.078 times, while the Dividend Payout Ratio decreased by 12.83%. In 2020, the Debt-to-Equity Ratio decreased by 0.068 times, while the Dividend Payout Ratio increased by 8.43%. It is suspected that the researched companies have a high debt ratio, thus leading to lower dividend payments given creditors' roles as monitors. Usually, creditors make specific agreements for companies not to pay high dividends before they can fulfill obligations when due (Purba et al. 2019).

The effect of return on equity on price to book value

Based on the test results in Table 4.10, it was found that the Return on Equity Ratio positively affects the Price to Book Value with a p-value of 0.000 < 0.05. These results are in line with the fourth hypothesis of this study, which states that the Return on Equity Ratio positively affects the Price to Book Value. This indicates that an increase in the Return on Equity Ratio will increase the Price to Book Value. Any increase or decrease in the Return on Equity Ratio will correspond with an increase or decrease in the company's value. This finding indicates that companies can increase profits, thereby enhancing the company's value. According to Kasmir (2017), a high Return on Equity Ratio can reflect the company's ability to generate high profits for shareholders. With a high Return on Equity Ratio, it will attract investors' interest in investing their capital in the company. Thus, investors assess that the company has good performance because it can generate a high rate of return on investment to investors.

The effect of the current ratio on price to book value

Based on the test results in Table 4.10, it was found that the Current Ratio does not affect the Price to Book Value with a p-value of 0.876 > 0.05. These results do not align with the fifth hypothesis of the study, which states that the Current Ratio partially positively affects the Price to Book Value. This indicates that an increase or decrease in the Current Ratio does not affect the increase or decrease in the Price to Book Value. This finding suggests that high liquidity leads to a lot of idle funds, resulting in decreased company profits due to suboptimal fund turnover. According to Kasmir (2016), it is stated that there are factors affecting liquidity, namely the company's inability to pay obligations, especially short-term obligations that have come due, caused by various factors. The company is in a condition of having no funds at all or the company has cash funds that are insufficient.

The effect of the debt-to-equity ratio on price to book value

Based on the test results in Table 4.10, it was found that the Debt-to-Equity Ratio does not affect the Price to Book Value with a p-value of 0.541 > 0.05. These results do not align with the sixth research hypothesis, which stated that the Debt-to-Equity Ratio positively affects the Price to Book Value. This indicates that an increase or decrease in the Debt-to-Equity Ratio does not affect the increase or decrease in the Price to Book Value. This finding suggests that even though companies have the ability to use debt as a source of funding, this does not increase the company's value. It is suspected that the researched companies use a large amount of debt, which can burden the company. If a company uses too much debt, it will increase the risk borne by shareholders. Thus, if there is a significant increase in debt, the company's solvency level will decrease, affecting the decrease in the company's value. Therefore, investors prefer companies that can manage sources of funds effectively and efficiently, hoping to increase added value for the company (Sondakh et al., 2019).

The effect of the dividend payout ratio on price to book value

Based on the test results in Table 4.10, it was found that the Dividend Payout Ratio positively affects the Price to Book Value with a p-value of 0.051 < 0.05 with an α level = 0.1 or a significance level of 10%. These results are in line with the seventh research hypothesis, which stated that the Dividend Payout Ratio positively affects the Price to Book Value. This indicates that any increase or decrease in the Dividend Payout Ratio does not affect the increase or decrease in the Price to Book Value. This finding suggests that shareholders tend to prefer dividend distributions because they have the highest level of certainty compared to capital gains and reinvestment. This can increase the company's value as seen through the rise in the company's stock price (Komang and Putu, 2019). Furthermore, these results are consistent with the Signaling Theory, which states that dividend payments can send a positive signal to investors. The theory posits that if a company increases its dividend payments, it is interpreted by investors as an indication of improved company performance and better business prospects in the future (Kasmiati and Santosa, 2019).

4. CONCLUSION

Based on the descriptive data above, it is evident that the companies studied have good ratios where the company's profits are positive, the company's liquidity is also good, and the company's debt is not risky because it is close to conservative principle figures. The dividends distributed are also above 50% of the average value of companies in general, and the market price of the company's shares is also twice the book value. Hypothesis testing results show that three independent variables do not affect dividend policy, while the company's value is only influenced by return on equity and dividend payout ratio. Thus, the company's profit and the portion of profits distributed to shareholders affect the company's stock price. The dividend payout ratio does not mediate the relationship between return on equity and company value.

RECOMMENDATIONS

It is recommended for companies, based on the research findings, to pay attention to the Return on Equity Ratio and Dividend Payout Ratio as they are proven to affect the company's value, especially for companies in the energy sector. In addition, energy sector companies should consider both external and internal factors in determining dividend policy, so that dividend policies can be implemented optimally because this will directly increase the company's value. For future researchers, it is hoped that this research can be developed by adding several variables that may affect dividend policy or company value, increasing the sample size, extending the observation period, and including other variables that truly affect both dividend policy and company value.

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