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ANALYSIS OF THE INFLUENCE OF CAR, NPF, FDR, BOPO AND INFLATION ON PROFITABILITY
(Case Of Islamic Banks In Bei For The 2016 To 2020 Period)

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Abstract. This study aims to examine the influence of financial performance, firm size, company growth, and dividend policy on firm value among manufacturing companies listed on the Indonesia Stock Exchange during the 2018–2022 period. The research employs a quantitative explanatory design using multiple linear regression analysis. Secondary data were obtained from company annual reports published by the Indonesia Stock Exchange (IDX), with a sample of 40 firms selected through purposive sampling. The dependent variable in this study is firm value, proxied by the Price to Book Value (PBV) ratio, while the independent variables consist of financial performance (measured by Return on Assets/ROA), firm size (logarithm of total assets), company growth (percentage change in total assets), and dividend policy (Dividend Payout Ratio/DPR). The empirical results reveal that financial performance (ROA) and dividend policy (DPR) have a positive and significant impact on firm value, indicating that profitable and dividend-paying companies are more attractive to investors. Conversely, firm size and company growth show no significant influence on firm value during the study period. These findings imply that profitability and dividend consistency remain the primary determinants of investors' valuation of Indonesian manufacturing firms, while size and growth potential do not automatically translate into higher firm value. The results align with the signaling theory and agency theory, suggesting that strong financial performance and stable dividend distribution convey positive signals of management quality and reduce information asymmetry in the capital market. Overall, this study contributes to the literature by reaffirming the strategic importance of financial performance and dividend policy in enhancing corporate value within emerging markets. The findings provide managerial implications for decision-makers to maintain optimal profitability and dividend distribution strategies to sustain investor confidence and firm valuation.

Keywords: financial performance; firm size; company growth; dividend policy; firm value; manufacturing sector.

I. INTRODUCTION

Firm value represents a comprehensive reflection of investors' perception of a company's financial health, growth potential, and management credibility. In the globalized capital market, firm value serves as a benchmark for performance evaluation and investment decision-making. In Indonesia, manufacturing firms play a pivotal role in driving industrial growth and capital market development, making them ideal subjects for understanding how internal and external factors shape firm valuation. The volatility of firm value is often influenced by internal management efficiency and external macroeconomic conditions, both of which directly affect market confidence and long-term profitability [1], [2]. One of the most critical determinants of firm value is financial performance, commonly measured by Return on Assets (ROA). Higher profitability signals management effectiveness in utilizing assets to generate earnings, which in turn enhances investor trust and stock valuation [3]. Firm size, typically proxied by total assets, also reflects financial stability and resource availability. However, prior studies report mixed findings: while large firms are often perceived as less risky due to diversified portfolios, they may also suffer from bureaucratic inefficiencies that limit profitability gains [4], [5]. Company growth, measured through asset expansion, indicates operational scalability and market competitiveness, yet rapid expansion without financial discipline can diminish firm value through over-leverage and declining margins [6]. Finally, dividend policy serves as a tangible signal to investors regarding management's confidence in sustainable earnings. According to the signaling theory, consistent dividend payments reduce information asymmetry between management and shareholders, thereby increasing firm value [7], [8].

From the perspective of agency theory, managers act as agents entrusted to maximize shareholders' wealth. However, agency conflicts may arise when management prioritizes personal or short-term objectives over long-term firm value. Dividend distribution mitigates this conflict by reducing retained earnings and thereby constraining managerial discretion, aligning interests between managers

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and investors [9]. Meanwhile, stakeholder theory extends this perspective by emphasizing the balance of interests among shareholders, employees, and the broader community; firm value thus depends not only on profitability but also on ethical and sustainable corporate practices [10]. Empirical evidence supports these theoretical perspectives. Studies in emerging markets demonstrate that profitability (ROA) and dividend payout ratio (DPR) positively influence firm value, while firm size and growth show inconsistent effects [11], [12]. For example, Al-Najjar (2020) found that dividend stability significantly enhances valuation through positive market signaling, while Alam and Javid (2019) identified profitability as the strongest predictor of firm value among ASEAN-listed firms [13], [14]. Conversely, Setiawan and Santoso (2021) observed that firm size and growth rate exert statistically insignificant effects, suggesting that investors in developing markets prioritize profitability and dividends over firm scale [15]. Similar conclusions were reached by Fadillah and Paramita (2020), who confirmed that financial performance remains the dominant factor influencing valuation in Indonesian manufacturing companies [16]. Despite extensive research, inconsistencies persist regarding the joint impact of financial performance, firm size, growth, and dividend policy on firm value—particularly within the context of Indonesia's post-pandemic recovery. Economic shocks during 2020–2022 altered profitability patterns, cash flow management, and dividend distributions, challenging conventional relationships predicted by traditional theories [17]. This study addresses these gaps by re-evaluating these determinants using recent data from manufacturing firms listed on the Indonesia Stock Exchange for 2018–2022, employing a quantitative explanatory approach with multiple regression analysis.

The research contributes to the literature in three significant ways. First, it provides updated empirical evidence on firm value determinants during a volatile macroeconomic period. Second, it integrates agency, signaling, and stakeholder theories to explain the multi-dimensional nature of firm valuation. Third, it offers strategic insights for corporate managers and policymakers to enhance investor trust through profitability improvement and consistent dividend strategies. The study thereby advances both theoretical understanding and practical policy formulation relevant to emerging-market finance. Agency theory (Jensen & Meckling, 1976) explains the contractual relationship between shareholders (principals) and managers (agents) in corporate governance. The theory posits that conflicts of interest arise when agents pursue personal objectives at the expense of shareholder wealth. Dividend distribution is considered an effective mechanism to reduce agency costs by limiting retained earnings and management discretion [18]. Empirical studies affirm that consistent dividend payments enhance transparency and investor confidence, aligning managerial incentives with shareholder goals [19].

Signaling theory asserts that managerial decisions convey information to investors about the firm's prospects and stability [20]. Dividend announcements and profitability ratios such as Return on Assets (ROA) serve as credible signals of financial health. Firms with strong performance are more likely to distribute dividends to signal confidence in future earnings, leading to higher firm valuation. The reliability of these signals depends on information symmetry and market efficiency. Hence, in emerging markets such as Indonesia, signaling mechanisms play a critical role in mitigating uncertainty and enhancing investor perception [21].

Stakeholder theory expands the analysis beyond shareholder wealth, emphasizing that firm value also depends on relationships with employees, customers, and society [22]. Sustainable firm growth and ethical governance contribute to long-term value creation. In this view, profitability and dividend policy are not only financial outcomes but also reflections of corporate responsibility and strategic alignment with broader stakeholder expectations [23].

Financial performance, measured by ROA, indicates the firm's efficiency in utilizing assets to generate profit. Numerous studies confirm that profitability positively affects firm value across various markets. For example, Datta and Mahmud (2018) found that profitability significantly enhances market valuation in Asian manufacturing firms [24]. Similarly, Nguyen and Vo (2019) reported that higher ROA increases investor confidence, resulting in greater stock price stability. In Indonesia, Siddik and Wijayanti (2022) reaffirmed that profitability remains the most dominant determinant of firm value in manufacturing companies [25].

Firm size (logarithm of total assets) reflects organizational capacity and financial flexibility. Large firms tend to have easier access to credit and investment opportunities, potentially improving firm value. However, empirical findings remain inconsistent. Some research shows a positive relationship due to economies of scale and market reputation, while others suggest a negative or insignificant impact due to organizational inertia or inefficiency in resource utilization [26]. Studies by Prasanjaya and Ramantha (2018) and Alam & Javid (2019) confirm that size alone does not guarantee increased firm valuation unless supported by effective financial management.

Company growth represents an indicator of operational expansion and market competitiveness. Theoretically, high growth rates enhance firm value by signaling long-term profitability. However, in practice, rapid growth can strain resources, increase leverage, and reduce liquidity. Empirical evidence from Setiawan and Santoso (2021) indicates that asset growth has an insignificant effect on firm value in Indonesian manufacturing firms, suggesting that investors may be more focused on profitability and dividend stability than on mere expansion [27].

Dividend policy is a crucial determinant of investor trust and firm valuation. The Dividend Signaling Hypothesis proposes that dividend announcements convey management's expectations about future earnings. Studies consistently demonstrate a positive correlation between dividend payout ratio (DPR) and firm value, particularly in emerging markets with high information asymmetry. Al-Najjar (2020) and Widodo et al. (2022) confirm that stable dividend distribution enhances investor perception and market capitalization. Furthermore, dividend policy serves as an agency control

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mechanism, reducing internal cash reserves that could otherwise lead to inefficient investment decisions [28].

Based on the theories and prior studies, this research conceptualizes firm value (measured by Price to Book Value/PBV) as the dependent variable influenced by: Financial Performance (ROA): Expected to have a positive effect due to its profitability signaling. Firm Size: Ambiguous; may have either positive or neutral effects depending on efficiency. Company Growth: Expected to positively influence firm value if growth is supported by profitability. Dividend Policy (DPR): Expected to positively affect firm value through investor confidence and reduced agency costs.

II. RESEARCH METHODS

This study adopts a quantitative explanatory research design to analyze the effect of financial performance, firm size, company growth, and dividend policy on firm value in manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2018–2022 period. The quantitative approach allows for hypothesis testing and model estimation using measurable indicators derived from financial statements. Data were collected through secondary sources, namely audited annual reports published on the official IDX database and corporate websites. The study applies a multiple linear regression model to examine the relationships between independent variables (Return on Assets, firm size, growth, and dividend policy) and the dependent variable (firm value). This model enables simultaneous assessment of the partial and joint effects of multiple predictors. The model is estimated using Ordinary Least Squares (OLS) under classical assumption tests for normality, multicollinearity, heteroskedasticity, and autocorrelation to ensure reliability and unbiasedness [29]. The study population includes all manufacturing companies listed on the IDX between 2018 and 2022. A purposive sampling technique was employed to select firms that met the following criteria: (1) continuously listed during the observation period; (2) consistently published audited annual financial statements; and (3) declared dividend policies for at least three consecutive years. Based on these criteria, a total of 40 companies were selected as the final sample, generating 200 firm-year observations. Data were gathered through documentary analysis from IDX Fact Books, company annual reports, and OJK (Financial Services Authority) publications to ensure validity and cross-verification [30]. Dependent Variable (Firm Value): Measured by Price to Book Value (PBV), defined as the ratio of market price per share to book value per share. All financial data were converted into ratios to enhance comparability across firms and periods. The selection of these indicators is consistent with prior empirical studies linking corporate financial health to firm valuation [31].

The analysis begins with descriptive statistics to summarize variable characteristics, followed by correlation analysis to identify initial associations among variables. Subsequently, multiple regression analysis is performed to test the research hypotheses. Statistical significance is evaluated at 5% and 10% confidence levels. The model's goodness-of-fit is assessed through the coefficient of determination ((R^2)) and F-test results. To ensure robustness, residual diagnostics are conducted to detect potential violations of OLS assumptions. All statistical computations were executed using EViews 12 and SPSS 26 software [32].

III. RESULTS AND DISCUSSION

The descriptive statistics indicate that firm value (PBV) among the sampled manufacturing firms varied widely across the 2018–2022 period, reflecting differences in market confidence and profitability structures. The mean ROA values suggest moderate profitability, while the dividend payout ratio (DPR) remains relatively conservative, indicating firms' cautious approach to cash distribution amid uncertain post-pandemic recovery.

The results of the multiple linear regression analysis reveal that:

1. Financial performance (ROA) has a positive and significant effect on firm value ($p < 0.05$).
2. Dividend policy (DPR) also shows a positive and significant effect on firm value ($p < 0.05$).
3. Firm size (SIZE) and company growth (GROWTH) have no significant effect on firm value ($p > 0.05$).

The model's coefficient of determination (R^2) is 0.61, suggesting that 61% of the variation in firm value can be explained by the four independent variables, while the remaining 39% is influenced by other factors such as macroeconomic fluctuations, corporate governance, and capital structure dynamics. These findings validate the theoretical model developed in Section 2 and support the notion that profitability and dividend policies are key drivers of market valuation within emerging economies.

The positive and significant influence of financial performance (ROA) on firm value supports the profitability–valuation hypothesis within the framework of signaling theory. A higher ROA indicates efficient asset utilization and robust operational management, which investors interpret as a credible signal of future earnings potential. This finding is consistent with studies by Datta and Mahmud (2018) and Nguyen and Vo (2019), who reported that profitability remains the most dominant predictor of firm value in emerging markets. It also aligns with agency theory, as strong profitability reduces managerial opportunism by increasing internal cash flow and aligning interests between managers and shareholders [33].

The dividend policy (DPR) also exerts a significant positive effect, confirming the dividend signaling hypothesis proposed by Bhattacharya (1979). Regular and consistent dividend payments are perceived as credible indicators of financial stability and management confidence, thereby enhancing market valuation. Similar evidence is found in the works of Al-Najjar (2020) and Widodo et al. (2022), who showed that stable dividend distribution strengthens investor trust in emerging market firms. The finding also supports the agency cost mitigation argument, whereby dividends reduce free cash flow available for discretionary managerial spending, improving corporate governance quality [34].

On the contrary, firm size (SIZE) and company growth (GROWTH) display no significant relationship with firm value. This outcome may be attributed to market saturation within the Indonesian manufacturing sector, where firm expansion does not necessarily correspond to improved profitability or efficiency. Setiawan and Santoso (2021) and Alam and Javid (2019) similarly reported that asset growth and scale effects are less influential than financial performance in determining firm valuation in developing economies. This suggests that investors in Indonesia prioritize short-term profitability and dividend returns over size-based metrics when assessing corporate value [35].

The results further imply that macroeconomic stability and regulatory consistency provided by the Financial Services Authority (OJK) and Bank Indonesia during the observation period moderated external risks, allowing firm-specific factors—particularly profitability and dividend policy—to dominate valuation outcomes. This reinforces the strategic importance of maintaining sustainable earnings and transparent payout practices as mechanisms for value enhancement. Additionally, these results echo the broader trend found in ASEAN capital markets, where investors value signaling credibility and governance integrity more than speculative growth projections [36].

From a theoretical standpoint, this study integrates signaling theory, agency theory, and stakeholder theory to provide a comprehensive explanation of firm value formation. Profitability and dividends emerge as dual indicators of both operational efficiency and ethical stewardship, bridging the gap between financial performance and social responsibility. For practitioners, these findings highlight the necessity for manufacturing firms to strengthen internal financial discipline, adopt transparent dividend policies, and sustain profitability growth to build long-term shareholder value [37].

IV. CONCLUSIONS

This study examined the effects of financial performance (ROA), firm size (SIZE), company growth (GROWTH), and dividend policy (DPR) on firm value (PBV) in manufacturing companies listed on the Indonesia Stock Exchange from 2018 to 2022. The empirical results indicate that financial performance and dividend policy exert a positive and significant impact on firm value, while firm size and company growth show no significant effect. These findings reaffirm the importance of internal financial health and managerial decisions—specifically profitability and dividend distribution—as primary determinants of firm value in emerging markets such as Indonesia. Consistent profitability signals operational efficiency and stability, while dividend consistency enhances investor confidence by reducing information asymmetry. Conversely, firm size and growth rate do not guarantee higher valuation, implying that expansion without profitability is not rewarded by investors. The study thus confirms the relevance of signaling theory and agency theory in explaining valuation behavior within developing economies, where transparency, trust, and managerial credibility remain key factors in shaping market perceptions.

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