

**THE IMPACT OF DIVIDEND POLICY, CAPITAL STRUCTURE, AND
EARNING GROWTH ON FIRM VALUE
(Study on the Pharmacy Sub-Sector Listed on the Indonesia Stock Exchange
From 2010-2024)**

Undergraduate Thesis

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2026

ABSTRAK

PENGARUH KEBIJAKAN DIVIDEN, STRUKTUR MODAL, DAN PERTUMBUHAN LABA TERHADAP NILAI PERUSAHAAN (Studi pada Subsektor Farmasi yang Terdaftar di Bursa Efek Indonesia Periode 2010-2024)

Oleh

Ayuning Rizqi Rahmayanti

Penelitian ini menganalisis bagaimana kebijakan dividen, struktur modal, dan pertumbuhan laba memengaruhi nilai perusahaan pada perusahaan subsektor farmasi yang terdaftar di Bursa Efek Indonesia selama periode 2010–2024. Nilai perusahaan diwakili oleh *Price to Book Value* (PBV), kebijakan dividen diproksikan dengan *Dividend Payout Ratio* (DPR), struktur modal diukur menggunakan *Debt-to-Equity Ratio* (DER), dan pertumbuhan laba dihitung melalui tingkat pertumbuhan *Earnings Per Share* (EPS). Ukuran perusahaan, yang dinyatakan sebagai logaritma natural dari total aset, dimasukkan sebagai variabel kontrol untuk memperhitungkan perbedaan skala perusahaan. Penelitian ini menerapkan metode *purposive sampling* dan mencakup 105 observasi perusahaan-tahun (*firm-year*) yang diperoleh dari tujuh perusahaan terpilih. Analisis data menggunakan statistik deskriptif, uji asumsi klasik, regresi linier berganda, dan evaluasi hipotesis melalui uji signifikansi parsial dan simultan.

Hasil penelitian menunjukkan bahwa kebijakan dividen memiliki hubungan negatif dan signifikan secara statistik dengan nilai perusahaan, menunjukkan bahwa distribusi dividen yang lebih besar cenderung sejalan dengan penilaian pasar yang lebih rendah. Sebaliknya, struktur modal dan pertumbuhan laba tidak menunjukkan pengaruh yang signifikan terhadap nilai perusahaan selama periode pengamatan. Hasil ini menunjukkan bahwa investor di industri farmasi lebih menekankan pada kinerja yang lebih luas dan faktor strategis daripada komposisi utang (*leverage*) atau pertumbuhan laba jangka pendek saja. Selain itu, ukuran perusahaan sebagai variabel kontrol menunjukkan hubungan yang signifikan dengan nilai perusahaan.

Kata Kunci: Kebijakan Dividen, Struktur Modal, Pertumbuhan Laba, Nilai Perusahaan, Sektor Farmasi.

ABSTRACT

THE IMPACT OF DIVIDEND POLICY, CAPITAL STRUCTURE, AND EARNING GROWTH ON FIRM VALUE (Study on the Pharmacy Sub-Sector Listed on the Indonesia Stock Exchange From 2010-2024)

BY

AYUNING RIZQI RAHMAYANTI

This research analyzes how dividend policy, capital structure, and earnings growth influence firm value in pharmaceutical sub-sector companies listed on the Indonesia Stock Exchange over the 2010–2024 period. Firm value is represented by Price to Book Value (PBV), dividend policy is proxied by the Dividend Payout Ratio (DPR), capital structure is measured using the Debt-to-Equity Ratio (DER), and earnings growth is calculated through the growth rate of Earnings Per Share (EPS). Firm size, expressed as the natural logarithm of total assets, is incorporated as a control variable to account for differences in company scale. The study applies purposive sampling and includes 105 firm-year observations derived from seven selected companies. The analysis utilizes descriptive statistics, classical assumption testing, multiple linear regression, and hypothesis evaluation through partial and simultaneous significance tests. The findings reveal that dividend policy has a negative and statistically significant relationship with firm value, indicating that greater dividend distributions tend to correspond with lower market valuation. Conversely, capital structure and earnings growth do not show significant effects on firm value during the observation period. These results suggest that investors in the pharmaceutical industry may place greater emphasis on broader performance and strategic factors rather than leverage composition or short-term profit growth alone. Additionally, firm size demonstrates a significant association with firm value, highlighting the relevance of corporate scale in shaping market appraisal. This study contributes empirical evidence to support financial decision making and investment analysis in the pharmaceutical sector.

Keywords: Dividend Policy, Capital Structure, Earning Growth, Firm Value, Pharmaceutical Sector.

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BY

AYUNING RIZQI RAHMAYANTI

Undergraduate Thesis

**As One of the Requirements to Earn Bachelor of Management Degree
(Bachelor of Management)**

Management Department
Faculty of Economics and Business



**DEPARTEMENT OF MANAGEMENT
FACULTY OF ECONOMICS AND BUSINESS
UNIVERSITY OF LAMPUNG
BANDAR LAMPUNG
2026**

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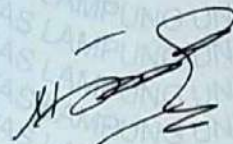
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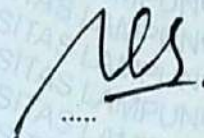
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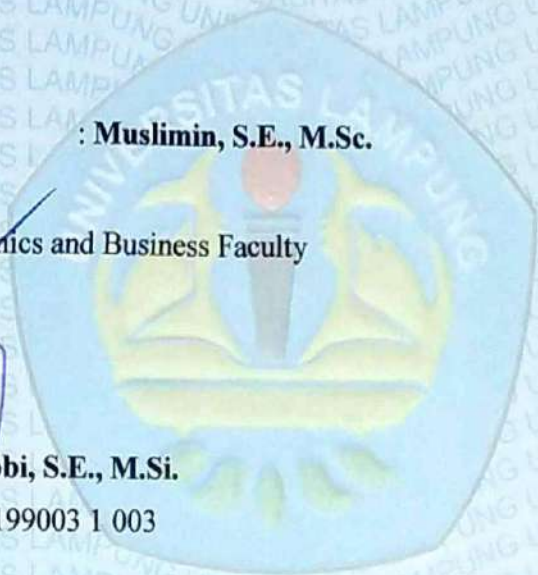


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Hereby declare that this research is the own work of the author, not a duplication or work of others except in parts that have been referred to and mentioned in the bibliography. If in the future it is proven that there are deviations in this work, the full responsibility lies with the researcher.

Thus, I make this statement so that it can be understood.

Bandarlampung, April 15th 2026



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BIOGRAPHY

The researcher's full name is Ayuning Rizqi Rahmayanti. She was born on July 26th 2001 in Bandarlampung. The researcher is the third child of third children, from Yulianto Herwandi and Wiryanti. The researcher started the education at TK Dwi Tunggal, then continued the study at SD Negeri 2 Beringin Raya finished in 2013, in 2016 finished the study at SMPN 3 Bandarlampung, and SMA S YP UNILA Bandarlampung finished in 2019.

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In 2021, the researcher was participating to Indonesian Student Micro-Credentials (KMMI) program for 3 months and the researcher was joining online short course with AOYAMA Gakuin University, Japan for 14 days. In the early of 2022 researcher was joining KKN in Beringin Raya for 40 days.

MOTTO

“If you do good, you do good for yourselves;
and if you do evil, (you do it) for yourselves”

QS. Al-Isra:7

“And I don't really care if nobody else believes
'Cause I've still got a lot of fight left in me.”

Fight Song – Rachel Platten

“So what? Don't stop to worry, it's pointless.
Let go, though there isn't an answer yet. You can start the fight”

So What? – BTS

DEDICATION

Gratitude to Allah SWT for His blessings and mercy, which enabled the author to complete this thesis. Shalawat and greetings are continually bestowed upon the noble Prophet Muhammad SAW.

I dedicate this thesis to:

My beloved parents, Yulianto Herwandi and Wiryanti

Whom I love and respect very much. Your endless support and trusts to me make me believe that I can pass all of the struggles in my life. Thank you for the prayers that are always said.

My silly brothers, Dang Yudi and Donga Ryan

Who always cheering me up during the process of finishing this thesis, thank you for your support and for taking me into a short trip when I am overwhelm of the thesis.

Myself, Ayuning Rizqi Rahmayanti

Thank you for not give up to some struggles that come to this life, for always believing every single dream and goals that we have and fight for that. I'm beyond proud of you!.

ACKNOWLEDGEMENT

Praised to the presence of Allah SWT for His grace and guidance, the author was able to finished this thesis. Shalawat and greetings are always poured out to the Great Prophet Muhammad SAW so that the author can complete the thesis entitled **"The impact of Dividend policy, Capital Structure, and Earning Growth on firm value (study on the pharmacy sub-sector Listed on the Indonesia Stock Exchange from 2010-2024)"**.

This undergraduate thesis is one of the requirements to achieve an undergraduate degree at the Economics and Business Faculty, University of Lampung. In writing this undergraduate thesis, the researcher noticed that this achievement was not done alone and supported by many different people who were willing to offer the researcher with some guidance, help, and motivation. Thus, the researcher would like to express her gratitude to:

1. Prof. Dr. Nairobi, S.E., M.Si. as Dean of Economics and Business Faculty University of Lampung.
2. Dr. Ribhan, S.E, M.Si. as Head of Management Department Economics and Business Faculty University of Lampung.
3. Prof. Dr. Mahatma Kufepaksi S.E, M.Sc. as the first advisor who has provided direction, knowledge, criticism, and suggestion to the researcher and also patiently guide the researcher in completing this undergraduate thesis.
4. Muslimin, S.E., M.Sc. as the principals who has provided direction, knowledge, criticism, and suggestion.

5. Nindytia Puspitasari Dalimunthe, S.E., M.Sc. as the examiner secretary and second advisor who has provided direction, knowledge, criticism, suggestion and also patiently guide the researcher in completing this undergraduate thesis.
6. Dr. Igo Febrianto S.E., M.Sc. as the second discussant lecturer who has provided direction, knowledge, criticism, and suggestion.
7. Fajrin Satria Dwi Kesumah, S.E., M. FBE. as the third discussant lecturer who has provided direction, knowledge, criticism, and suggestion.
8. Prof. Dr. Ayi Ahadiat, S.E. M.B.A as Academic Advisor who gives much lesson and suggestion.
9. All the lecturer who have provided their knowledge while studying at the Faculty of Economics and Business, University of Lampung.
10. My parents who always support and giving love to the author from a baby until now, who sending pray to god and motivating the author. Ibu Wiryanti and Bapak Yulianto Herwandi. Thank you so much. I have no words how grateful I am to be your one and only daughter.
11. My brothers, dang Winanto Yudi Laksono and donga Ryan Fajar Deswanto. Also my love sister in law mbak Rizka Sari and mbak Sih Maharti, thank you for the laughing that you made during the journey of the thesis and for the support that never end.
12. My nieces and nephew, Firsya Nur Safitri, Ahmad Rayhan, Keenan Ashadiya Noor, and Kaysa Bayza Noor. Thank you for the horror movie that we watched one week in a row also the kids song that always played while you're home, I love you so much my little cutie kids.
13. My soulmate, Artanti Fitria Hassya Andrianata. Thank you for those goods support, the late midnight convo, and for giving me best advice. Hoping we can go to Bangtan's concert in 2026.

14. My partner, Manda Bagas Kara, a good listener who believes with all of my goals, a person who never get tired for giving me reassurance when I'm down, a person who always support and help me while I write the thesis. Let's make our biggest dream in the near future.

15. My EEC's mates and classmates, who help me a lot for various things and share our laugh.

16. My best friends, Ipeh, Astri, Varra and Topan. Thank you for the long distance support and funny convo that we made.

17. And to all parties involved in the preparation of this thesis who cannot be mentioned one by one. May Allah SWT reward you abundantly for all the kindness and assistance you have given to the researcher.

Bandarlampung, April 15th 2026

Author,

Ayuning Rizqi Rahmayanti

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I. INTRODUCTION

1.1 Background

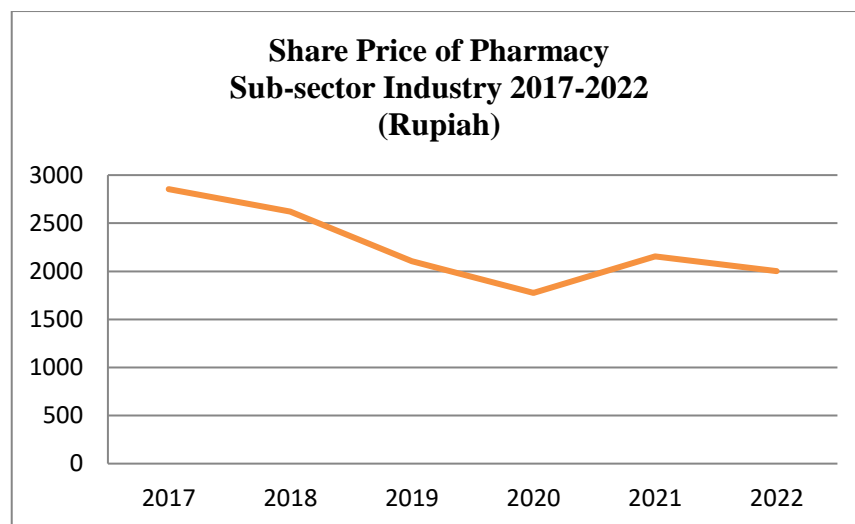
Pharmacy companies make medicines distributed to the public and other health institutions. The pharmacy industry is a high-technology industry that uses research to update its products' formulas. Pharmacy companies require substantial working capital because the raw materials and equipment needed to produce or research products tend to be expensive.

The COVID-19 virus shocked the world at the end of 2019, forcing people to stay at home indefinitely. While several businesses saw a decline in revenue, the pharmacy industry experienced a significant increase. This is because, during the pandemic, the demand for medicines and masks was very high. Thus, the production of medicines by the pharmacy industry increased, especially as they also competed in product quality. The competition within the pharmacy companies has led each pharmacy company to improve its performance to achieve its objectives. One of the objectives is to maximize shareholder wealth by maximizing the firm value (Sartono, 2010).

Firm value represents the collective assessment by investors regarding a company's performance (Silvia Indrarini, 2019). The book value of a company is determined through accounting records or bookkeeping methods (Sugeng, 2017). According to (Ubaidillah et al., 2019), firm value is defined as a measure that evaluates the significance and quality of a company from the perspective of investors. (Mawar Sharon R. Pantow, Sri Murni, 2015) state that firm value is the value of a company that maximizes benefits for shareholders as the company's stock price increases. The higher the stock price, the greater the wealth for shareholders.

Firm value can be described as the ability of a company to reflect its market price and gauge its quality level in the eyes of investors. Firm value is one of the factors that influence investors in making investment decisions. Investors tend to invest their capital in companies with excellent firm value in terms of dividend distribution and shareholder welfare. From this definition, it can be concluded that a firm's value is a reflection of its stock market price, which is attractive to investors because the company has excellent prospects for the future to collect dividends.

Share price movement in the pharmacy sub-sector industry in 2017-2022 can be seen in picture 1.1 below.



Picture 1.1 Share Price of Pharmacy Sub-sector Industry 2017-2022

Source: Data processed by writer, 2024.

According to picture 1.1, the growth of share prices in the pharmacy subsector tends to decrease significantly. This decrease is because, in that year, several companies did not meet their sales targets. Then, in 2021, there was an increase in stock prices due to the COVID-19 pandemic. Therefore, this study focuses on pharmacy companies that have experienced growth in Indonesia during the research period of 2010-2024.

A dividend policy guarantees the distribution of profits to shareholders. Whether the company will pay cash flows to investors or retain them for reinvestment hinges on its dividend payout approach. The amount of profit distributed depends

on the profit regulations of each company. The dividend payout ratio (DPR) often represents the net payment amount after assessing the profit distribution. This ratio establishes the dividend amount per share. Paying out large dividends will boost the stock price, thereby increasing the firm's value. Dividends are paid from the company's post-tax earnings. For recipients, dividends are considered fixed income and are thus fully taxable (Juhandi et al., 2019).

Trade-off theory explains that companies determine their optimal capital structure by balancing the benefits and costs of using debt. This theory suggests that firms tend to increase debt usage because debt provides several advantages, particularly tax benefits. Interest expenses from debt are tax deductible, which can reduce the company's taxable income and increase firm value. In addition, debt can serve as a monitoring mechanism that encourages management to operate more efficiently since companies have fixed obligations to creditors.

However, trade-off theory also emphasizes that excessive debt can create financial risks. When a company has a high level of debt, it faces greater financial distress costs, including the possibility of bankruptcy and higher agency costs between creditors and shareholders. High debt obligations may reduce financial flexibility, making it difficult for companies to obtain additional funding or invest in profitable projects. Furthermore, investors may perceive firms with excessive leverage as risky, which can negatively affect stock prices and ultimately reduce firm value. Therefore, companies must carefully balance the tax advantages of debt with the potential costs of financial distress to achieve an optimal capital structure.

A company's capital structure comprises a mix of long-term liabilities, equity, and other financial sources to support its long-term debt. Adjusting the capital structure approach and dividends to the company's methodology is a critical task requiring a fundamental review. (Rehman, 2016) argues that capital structure choice is central to many corporate financing decisions. In cases of increased long-term debt, tax benefits can be obtained, but the strategy also raises the risk of

financial distress and control transfer to investors. Thus, the process of forming capital structure and profit approaches, collectively known as financial planning, is highly risky for all companies because it directly impacts the firm value. Companies implement effective approaches in planning their capital structure and strive to align it with flexible and responsive strategies to the constantly changing market conditions.

Capital structure is an important factor in assessing a company's performance because it can affect the company's financial condition and stock price (Udiyana, 2022). The trade-off theory suggests that managers will use debt ratios to increase firm value. Investors can view this capital structure ratio as a guideline for making investment decisions. They can assess the level of risk and return that will be obtained, which can influence the demand for a company's stock and affect its value (Pradnyanita Sukmayanti & Triaryati, 2018). Capital structure theory relates to how capital is allocated in the company's real investment activities by determining the capital structure between long-term debt and equity (Tan, 2018).

Companies tend to use long term debt in their capital structure to finance these investments. Companies with high debt have high risk because they are obligated to pay fixed costs over the high debt. However, despite these risks, the use of long-term debt can reduce the tax burden that must be paid by the company. This will make investors reconsider deeply investing their funds in such companies.

One ratio used to measure capital structure is the debt-to equity ratio (DER). The Debt to Equity Ratio (DER) assesses term debt against equity. This ratio is measured by comparing long-term debt with total equity (Nugraha et al., 2021). According to (Udiyana, 2022), the debt-to equity ratio provides an overview of a company's capital structure, allowing insight into the risk level of unpaid debt and reflecting the company's ability to finance its operations with loans and shareholder equity.

According to research by (Kusumawati & Rosady, 2018), capital structure has a positive and significant effect on firm value. This means that the more debt a

company has, the higher its value. Companies that make the best use of debt can save money on taxes because interest expenses reduce taxable revenue and, as a result, firm value increases.

Investors may potentially interpret high debt levels as a favorable signal. A corporation that uses debt confidently is frequently thought to have great growth potential and a positive outlook on its future performance. It suggests that management believes the company will be able to earn adequate returns to satisfy its obligations while maximizing the benefits of debt financing.

It differs from the research by (Udiyana, 2022) shows that capital structure has no significant impact on the firm of value. It supports research by (Purba & Africa, 2019) that explains capital structure has no significant effect on the value of the firm. This can happen when many investors see a firm's value only from its profit. So, even if the company has high debt but earns large profits, investors will still invest on it. It can also happen when the company's debt is stable and smaller than its equity, making its effect on firm value insignificant.

Earning growth is the change in a company's profit from one period to another. It shows how fast or slow the company can increase its profit. We can measure earning growth using net income, operating income, or earnings per share (EPS). Factors such as revenue and capital structure can influence it. In this study, earning growth is measured using EPS growth because shareholders and potential investors are interested in EPS; it shows how much profit each share earns. Investors usually prefer companies with higher EPS, which is expected to affect firm value through higher profits that increase investor demand, raise stock prices, and improve firm value.

Research by (Indah Sari & Rokhmania, 2020) stated that earnings growth indicates changes in the rise and fall of earnings in each period. Thus, it refers to the increase or decrease in a company's profits from year to year. When a firm experiences rising earnings growth, the existing and new investor are attracted to invest money in the company. Strong earnings growth is often viewed as a

positive signal, as it suggests the company has promising future prospects and the potency to deliver greater value.

Another factor influencing firm value is the firm size. This paper will discuss firm size as control variables. Firm size indicates the scale of a company, shown by total assets, sales volume, average sales level, and average total assets (Meifari, 2023). The circulating money within the company is substantial; hence, company size refers to the magnitude of assets owned (Pradnyanita Sukmayanti & Triaryati, 2018). Larger companies incur higher costs, potentially reducing profitability. However, large companies have economies of scale and flexibility compared to smaller companies, making it easier to obtain loans that can increase profitability. Therefore, firm size is used as a variable to test its impact on firm value. The size of a company is believed to influence firm value. Larger companies find it easier to obtain funding sources.

Based on the explanation of the background, various opinions, and the research gap from previous studies on the impact of dividend policy, capital structure, and earning growth on the firm value, which are not conclusive, the author is interested in re-examining with the latest data under the title **“The Impact of Dividend Policy, Capital Structure, and Earning Growth on Firm Value (Study on the Pharmacy Sub-Sector Listed on the Indonesia Stock Exchange From 2010-2024).”**

1.2 Problem Formulation

Based on the background, there are several problem formulations, which are:

1. Does the dividend policy affect the value of the firm?
2. Does the capital structure affect the value of the firm?
3. Does earning growth affect the value of the firm?

1.3 Research Purposes

Based on the problem formulations above, the objectives the author aims to achieve are:

1. To know and examine whether dividend policy has any impact on the value of firm.
2. To know and examine whether capital structure has any impact on the value of firm.
3. To know and examine whether earning growth has any impact on the value of firm.

1.4 Research Benefits

This research is expected to provide benefits both directly and indirectly to stakeholders. The benefits of this research are as follows:

1. Theoretical Benefits

The findings of this study can help to improve a positive examination of the impact of dividend policy, capital structure, and earnings growth on company value in the pharmacy industry listed on the IDX from 2010 to 2024. This study is designed to give empirical evidence and build on previous research. It can also serve as study material and a reference for comparable research.

2. Practical Benefits

The results of this research are expected to enhance insights and knowledge about how the firm value in the pharmacy sector listed on the IDX, complementing previous research and inspiring better research on the effect of dividend policy, capital structure, and earnings growth on the value of the firm.

II. LITERATURE REVIEW

2.1. Theoretical Basis

2.1.1 Signaling Theory

Signaling theory is an announcement issued to provide signals to investors to make investment decisions (Jogiyanto Hartono, 2017) The profits and losses generated by a company will be perceived as good or bad news in the capital market, where profits provide a positive signal that attracts investors, and vice versa. Profitability is used by companies to analyze their profit growth. The higher the company's profits, the more positive the signal sent to investors that they will also benefit from their investment (Tantono & Candradewi, 2019). Profitability is used by companies to analyze their profit growth (Kinesti et al., 2020).

According to (Brigham & Houston, 2006), a signal is an action taken by company management to communicate with investors by providing indications or signs regarding their assessment of the company's future prospects. Investors interpret this signal as information about the company's risk, returns, and future prospects. Therefore, this information is crucial for businesspeople, especially investors, because it reflects the management's performance in meeting shareholders' expectations. By providing information to the market, it is expected that external parties can differentiate between companies in good and bad conditions.

2.1.2 Firm Value

Firm value indicates the company's performance as reflected by the stock price, which is formed by market demand and supply, showing the public's assessment of the company's performance (Lumoly et al., 2018). A high stock price increases the firm's value and boosts market confidence not only in the company's current

performance but also in its future prospects. There are some measurements to assess the firm value, as follows:

2.1.2.1 Tobin's Q Theory

Tobin's Q is the ratio of a company's market worth to the cost of replacing its assets. It is employed to assess the operational effectiveness and worth of a business. Tobin's Q's simplicity makes it very appealing to the financial community, where analysts and investors are constantly searching for simple solutions to understand complex company and economic phenomena. According to (Lin et al., 2011), a company's capital investment profits exceed its cost if its Tobin's Q is more than one hundred.

2.1.2.2 Price Earning Ratio (PER)

The Price Earnings Ratio (PER) represents the anticipated future value of a company's shares. Companies demonstrating robust performance and promising business prospects generally exhibit a higher PER, signaling growth potential. Conversely, firms with weaker performance and uncertain prospects typically show lower PER values. Investors utilize this ratio to discern stocks poised for substantial future profits. However, excessively high PER may dissuade investors, indicating limited potential for further price appreciation and reduced prospects for capital gains.

2.1.2.3. Price Book Value

According to Rutin in (Ariyanti et al., 2023), Price to Book Value (PBV) is a ratio that compares a company's stock price with its book value. PBV is closely related to stock prices, where changes in stock prices will affect the PBV ratio. A higher PBV ratio indicates a higher stock price. A high stock price reflects a high company value.

2.1.3. Dividend Policy

Dividends are a percentage of profits distributed to shareholders. Retained earnings refer to the profits of a company that are not distributed. Several factors influence the distribution of dividends, including the company's profits, growth prospects, cash position (liquidity), legal aspects, and market conditions. According to Black's Law Dictionary, the definition of a dividend is the distribution of accumulated current profits to the shareholders of a body on a pro rata basis according to the number of shares owned by them, which means that a dividend is the distribution of accumulated profits to the shareholders of a company based on their rank and the number of shares they own. There are several types of dividends that can be paid to shareholders depending on the company's position and capabilities. According to (Brigham & Houston, 2006), dividends are generally paid in cash, but dividends can also be paid in non-cash forms. There are theories to explain the dividend policy, as follows:

2.1.3.1 Dividend Irrelevance

The dividend irrelevance theory explains that dividends do not influence a company's stock price. Typically, dividends are cash payments made from a company's profits to its shareholders as a return on their investment in the company (Modigliani & Miller, 2009). According to the dividend irrelevance theory, dividends can negatively impact a company's long-term competitiveness. The theory suggests that reinvested funds into the company could more effectively generate future profits.

2.1.3.2 Bird in the Hand

The bird in the hand theory posits that investors are more inclined toward companies that distribute dividends (Juhandi et al., 2019). Investors, who prefer a certain return on their investment, view dividend payments as a positive signal, according to this theory. Consequently, firms that issue dividends tend to attract greater investor interest. This increased investor activity drives up the stock price, thereby enhancing the firm's overall value.

2.1.3.3 Clientele Effect

The clientele effect theory states that different groups of investors have different preferences regarding dividend policy. Some investors prefer high and stable dividends because they seek regular income, while others prefer lower dividends and higher retained earnings to gain capital appreciation (Pettit, 1977).

This argument holds that dividend policy changes do not always have a major impact on corporate value. If a company's dividend policy changes, investors who disagree with the new policy may sell their shares, which will be replaced by other investors whose preferences match the policy. As a result, the firm's value tends to remain relatively steady because only the investor composition changes, not the company's fundamentals. As a result, dividend policy primarily draws particular sorts of investors rather than directly influencing firm value.

2.1.4. Capital Structure

According to (Ruan et al., 2009), capital structure is permanent funding consisting of long-term debt, preferred stock, and shareholders' equity. The book value of shareholders' equity consists of common stock, paid-in capital or surplus, retained earnings, and accumulated capital. According to (Halim, 2007), capital structure is the balance of the amount of long-term debt, preferred stock, and common stock. In capital structure theory, any changes in the stated capital structure are assumed to affect the firm's value or not, assuming investment decisions and dividend policies remain unchanged. If there is an effect, it means there is an optimal capital structure, but if there is no effect, it means there is no optimal capital structure. There are some theories to explain capital structure, as follows:

2.1.4.1 Trade Off Theory

According to the trade-off theory expressed by (Myers, 2001), a company will increase debt up to a certain level, where the tax savings (tax shields) from additional debt are equal to the costs of financial distress. This theory explains that the more the company funds itself using debt, the greater the risk of experiencing financial difficulties due to the large fixed interest payments to debt holders each year amidst uncertain net profits. Financial distress costs include bankruptcy costs and increased agency costs resulting from a decline in the company's credibility. According to (Brigham & Houston, 2006), the trade-off theory explains that companies trade off the benefits of financing through debt. This theory describes the relationship between tax benefit and bankruptcy risk in the capital structure.

2.1.4.2 Pecking Order Theory

The Pecking Order Theory, as proposed by Myers (Myers, 2001) outlines a hierarchical approach to corporate financing. According to this theory, companies prioritize their sources of funding in a specific sequence. Initially, they favor internal funding sources, such as retained earnings, to avoid issuing negative signals that might lower the company's stock price. If the company needs additional funds, it will prioritize issuing debt. The issuance of new equity is considered the final option. Companies with substantial retained earnings tend to maintain a relatively low debt-to-equity ratio, as their retained earnings are sufficient to cover operating expenses, thus minimizing the necessity for significant debt.

2.1.5. Earning Growth

Earning growth refers to the rise or fall in a company's net income over a specific period, commonly assessed on an annual basis. It illustrates the firm's capacity to enhance its financial performance and achieve higher levels of profitability compared to the previous period. A steady increase in earnings demonstrates that the company is capable of operating efficiently, expanding its business activities, and controlling costs, which can strengthen investor interest. In contrast, declining

earnings may signal inefficiency, market pressures, or financial difficulties that could weaken investor confidence.

According to (Indah Sari & Rokhmania, 2020), earning growth is the performance of a company that reflects the outcomes of a series of processes that require the utilization of various resources. One of the indicators commonly employed to measure corporate performance is earnings growth. This measure serves as a benchmark in evaluating how well a company performs. In general, a high rate of earning growth provides a favorable signal to the market regarding the company's future outlook. Nevertheless, excessive fluctuations in earnings may also suggest instability in financial performance. For this reason, investors often assess not only the level but also the sustainability of earnings growth when evaluating a firm's value.

2.2 Previous Research

Below is a summary table of various previous research related to the effect of dividend policy, capital structure, and earnings growth on firm value: company size as control variables in pharmaceutical subsector companies.

Table 2. 1 Previous Research

No	Researcher	Research Title	Research Variable	Research Result
1.	Obaid Ur Rehman (2016)	Impact of Capital Structure and Dividend Policy on Firm Value	<p>Dependent: Firm Value</p> <p>Independent: Capital Structure, Dividend Policy</p>	The results of the study reporting number of variables of capital structure and dividend policy has significant impact on dependent variable (tobin's Q). Three independent variables (TDTA as leverage ratio, SG as profit sustainability ratio and EQ as shareholders equity) of capital structure, while one independent variable

				(EPS as profitability ratio) of dividend policy has significant impact on dependent variable (tobin's Q).
2.	Nendi Juhandi, Mohammad Fahlevi, Muhammad Nur Abdi, Rinto Noviantoro (2019)	Liquidity, Firm Size And Dividend Policy To The Value Of The Firm (Study In Manufacturing Sector Companies Listed On Indonesia Stock Exchange)	<p>Dependent: Firm Value</p> <p>Independent: Liquidity, Firm Size, Dividend Policy</p>	Shows that the positive spider to value, size to value, financial related factors, size and risk factor to value. This means that liquidity, size, and policy can increase firm value.
3.	Agus Munandar (2018)	The Impact Of Managerial Ownership, Size, And Growth Rate On Capital Structure	<p>Dependent: Capital Structure</p> <p>Independent: Managerial Ownership, Size, Growth Rate</p>	The empirical results demonstrate the capital structure (proxied by the total debt ratio) of the companies is positively determined by their size (proxied by the total revenue). The results of the analysis also showed that capital structure is also negatively determined by managerial ownership (measured by comparing the managerial share ownership with total of circulated shares).

4.	Meilivia Suak, Jullie J. Sondakh, Hendrik Gamaliel (2021)	Effect Of Tax Planning, Earnings Growth, Asset Management, And Sticky Costs On Firm Value (Study On Property And Real Estate Companies Listed On The Indonesia Stock Exchange In 2016 – 2019)	Dependent: Firm Value Independent: Tax Planning, Earning Growth, Assets Management, Sticky Costs	Tax planning, earning growth, and management assets have positive significant effect to the firm value. Sticky cost has no significant effect to the firm value
5.	Fyna Maulina , Suryo Budi Santoso, Sri Wahyuni, Dwi Winarni (2023)	The Effect of Earnings Per Share (EPS) and Company Size on Company Value with Return on Assets as Moderating Variables (Case Study of Companies Registered on JII-70 during the Covid- 19 Period in 2020-2021)	Dependent: Company Value Independent: Earning Per Share, Company Size Moderating: Return on Assets	The EPS variable had no effect on firm value, firm size had a negative effect on firm value, ROA strengthened the effect of the EPS relationship on firm value, and ROA weakened the effect of firm size on firm value

Source: Data processed by author. 2024

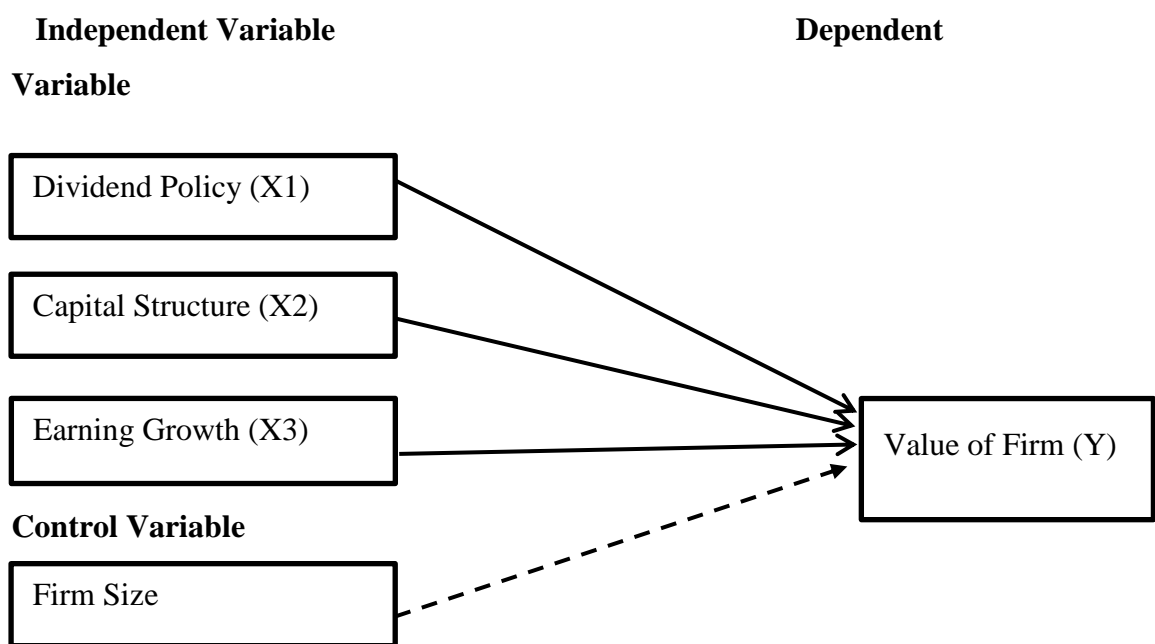
2.3 Research Framework

The research framework is a model or illustration in the form of concepts that explain the relationships between different variables. Several factors can influence the value of a firm, including dividend policy, capital structure, and earnings growth. Companies with high dividends tend to increase the stock value above its book value. Dividend policy can influence firm value by giving signals to

investors that the company's value will increase in the coming years, while capital structure can affect firm value as reflected by the amount of total long-term debt. The greater the long-term debt a company has, the higher the possibility that the company will experience financial difficulties. Earnings growth can influence firm value through increased profits. When a company earns higher profits, more investors will invest in such a company. As more investors buy the company's shares, the stock price will rise, and the firm value will increase accordingly.

This research uses firm size as a control variable; larger companies are expected to have a higher income.

Figure 2. 1 Research Framework



2.4 Research Hypothesis

Based on the theory and results of previous research, the hypothesis stated in this study are:

2.4.1 Impact of Dividend Policy on The Value of Firm

Based on research by (Juhandi et al., 2019) the dividend policy is a financial decision made by the firm regarding whether the dividend earned will be distributed to shareholders or held as retained earnings. When the

company distributes a larger portion of its dividend to shareholders, it will increase the demand for the company's shares. The increasing demand for shares will result in an increase in the company's value. Therefore, the following hypothesis can be proposed:

H1: Dividend policy has a positive effect on firm value.

2.4.2 Impact of Capital Structure on The Value of Firm

Trade-off theory says that managers use debt to increase company value, while investors can use these capital structure ratios as a guide in making investment decisions. Investors can assess the level of risk and the potential rate of return, which can influence the demand for the company's shares and, consequently, the company's value (Sartono, 2010). Therefore, the following hypothesis can be proposed:

H2: Capital structure has a positive effect on firm value.

2.4.3 Impact of Earning Growth on The Value of Firm

Based on research by (Indah Sari & Rokhmania, 2020) the company will generate positive earning growth when the profits increase. The stock would increase in value, thereby enhancing the overall worth of the firm. The more positive the market's response is, the higher the firm's value will rise. and subsequently raise the firm's value. Therefore, the following hypothesis can be proposed:

H3: Earning growth has a positive effect on firm value.

III. RESEARCH METHOD

3.1 Research Object

This research is conducted with a quantitative method by serving data with numbers and scores. The author uses dividend policy, capital structure, and earning growth as independent variables and firm value as a dependent variable. The author also uses firm size as a control variable. This research object is in Indonesia for the 2010-2024 period.

3.2 Population and Sample

The population of this research is all publicly traded pharmacy sub-sector companies that are listed on the IDX. This research uses sample selection through the purposive sampling method. The purposive sampling technique, also called judgment sampling, is the deliberate choice of a participant due to the qualities the participant possesses (Etikan, 2016) The sample criteria used are as follows:

1. Publicly traded companies in the pharmacy industry listed on the IDX.
2. Publicly traded companies in the pharmacy industry that should be listed on the IDX after 2010.

Table 3. 1 Sample Criteria

No	Sample Criteria	Total
1.	Pharmacy sub sector that listed on IDX in period 2010-2024	11
2.	Pharmacy sub sector that went public in period 2010-2024	(4)
Total research sample		7
Total data proceeded (7×15 years)		105

According to table 3.1, there are 7 companies that meet the research criteria, as follows:

Table 3. 2 Research Sample

No	Company	Code
1.	Darya Varia Laboratoria	DVLA
2.	Indofarma	INAF
3.	Kimia Farma	KAEF
4.	Kalbe Farma	KLBF
5.	Merck Indonesia	MERK
6.	Pyridam Farma	PYFA
7.	Tempo Scan Pacific	TSPC

3.3 Definition of Variable

A variable is a concept, property, or value that can be changed or measured in a study (Rachman et al., 2022). This research consists of three variables as follows:

3.3.1 Independent Variable

The independent (X) is the independent variable in the research that influences the dependent variable, either positively or negatively. The independent variables in this research are:

a) Dividend Policy

Dividend policy determines how much or what proportion of profits will be distributed as dividends and can be measured by the Dividend Payout Ratio (DPR) (Husnan, 2013). The unit of measurement for DPR is in percentage (Ubaidillah et al., 2019). The formula for DPR can be formulated as follows

$$\text{DPR} = \frac{\text{Dividend per Share}}{\text{Earning per Share}} \times 100\%$$

b) Capital Structure

The capital structure is permanent funding that consists of long-term debt, preferred shares, and shareholder capital (Sawir, 2009). In this research, capital structure is measured using the debt-to-equity ratio (DER).

According to (Suyono et al., 2020) Debt-to-Equity Ratio is a ratio that is used to assess debt against equity. This ratio is useful for finding out the amount of funds provided by the borrower (creditor) with the owner company or to find out the amount of rupiah of own capital used as collateral for debt. According to (Pradnyanita Sukmayanti & Triaryati, 2018) the formula of the equity ratio is as follows:

$$\text{Debt to Equity Ratio} = \frac{\text{Long Term Debt}}{\text{Total Equity}} \times 100\%$$

c) Earning Growth

Earning growth is an indicator of whether management has been successful in improving the company's operating efficiency. This success is a form of responsibility (management) for the funds invested by the capital owners in the company (Irawan & Talpia, 2021). Earning growth can be calculated as follows:

$$\text{Earning Growth Rate} = \frac{\text{EPSt} - \text{EPSt}-1}{\text{EPSt}-1} \times 100\%$$

3.3.2 Dependent Variable

The dependent variable is the variable of primary interest to the researcher. The researcher's goal is to understand and describe the dependent variable, to explain its variability, or to predict it (Sekaran & Roger Bougie, 2016). This research uses firm value as a dependent variable.

Firm value refers to the share cost that a potential buyer is willing to pay in the unlikely event of a firm sale. The share cost reflects the value of the firm. Maximizing firm value is exceptionally vital for the firm, since maximizing firm value also implies maximizing the thriving of shareholders, which is the most objective of the firm (Fujianti et al., 2020)

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

3.3.3 Control Variable

A control variable is a variable that are that limits the influence of the independent variable on the dependent variable. Control variables are important in research to control the complexity of the problem (Sahir, 2022). The control variable in this research is firm size.

Firm size is the size that can be classified based on the size of the firm as measured by total assets, protocol size, stock price, etc. Firm size can also be measured by sales, average sales, and market value of firm stock. The size of a large, growing firm can indicate its future level of profitability. This ease of raising capital can affect a firm's value and is useful information for investors (Juhandi et al., 2019). Firm size is measured by the natural logarithm of the company's total assets and is formulated as follows:

$$\text{Size} = \log_n \text{Assets}$$

3.4 Data Collecting Method

In this research, the method used in data collection is the documentation method, namely by recording and copying written data related to the research problem from source documents/books, newspapers, magazines, the internet, and others regarding the dividend policy, capital structure, earning growth, and firm value of pharmacy companies in the form of annual data for 2010-2024 on the website idx.com.

3.5 Research Type and Source

This research is explanatory research. The occurrence relation causally relates one determinant to the occurrence of an event or a state, taking into account other relevant characteristics (Bentouhami et al., 2021). The type of data used in this study is quantitative data, namely data measured on a numerical scale. Quantitative data here is in the form of panel data, which combines cross-sectional data and time-series data. This study uses secondary data, namely data that has been collected by data collection agencies and published in the data user community. The data in this research are obtain from the Indonesia Stock Exchange website and the annual report from each company.

3.6 Data Analysis Method

3.6.1. Descriptive Statistic

Descriptive statistics are statistics used to analyze data by describing the data that has been collected as it is without intending to make general conclusions or generalizations. Research conducted on the population will clearly use descriptive statistics in its analysis. But if the research is conducted on a sample, then the analysis can use descriptive or inferential statistics. Descriptive statistics can be used when researchers only want to describe sample data, and do not want to make conclusions that apply to the population from which the sample was taken (Sugiyono, 2010).

3.6.2. Classical Assumption Test

The research data used is secondary data, to fulfill the conditions specified before hypothesis testing through the t test and F test it is necessary to test several classical assumptions of normality, multicollinearity, heteroscedasticity, and autocorrelation,

a) Normality Test

The normality test aims to test whether in the regression model, confounding or residual variables have a normal distribution. As is known, the T and F tests assume that the residual values follow a normal distribution. If this assumption is violated, the statistical test becomes invalid for a small sample size. There are two ways to detect whether the residuals are normally distributed or not, by graph analysis and statistical tests (Ghozali, 2018).

1. If the probability value is greater than 5%, then the data is normally distributed.
2. If the probability value is less than 5%, then the data is not normally distributed.

b) Multicollinearity Test

The multicollinearity test aims to test whether the regression model found a correlation between independent variables. A good regression model should not have a correlation between the independent variables. If the independent

variables are correlated, then these variables are not orthogonal. Orthogonal variables are independent variables whose correlation values between fellow independent variables are equal to zero. Detecting the presence or absence of multicollinearity in the regression model can be done by analyzing the correlation matrix of the independent variables. If there is a high correlation between the independent variables (generally above 0.90), then the result is an indication of the presence of multicollinearity (Ghozali, 2018).

1. If the VIF is greater than 10 and the tolerance value is less than 0.10, then multicollinearity is present.
2. If the VIF is less than 10 and the tolerance value is greater than 0.10, then multicollinearity is not present.

c) Heteroscedasticity Test

According to (Ghozali, 2018), the heteroscedasticity test aims to test whether in the regression model occurs inequality of variance from the residuals of one observation to another. If the variance of the residuals from one observation to another is constant, it is called homoscedasticity and if it is different it is called heteroscedasticity. Homoscedasticity and if it is different it is called heteroscedasticity. Regression model is one that is Homoscedasticity or does not occur heteroscedasticity. This test is using glejser to measure the result.

1. If $p\text{-value} < 0.05 \rightarrow$ heteroscedasticity exists
2. If $p\text{-value} \geq 0.05 \rightarrow$ no heteroscedasticity is present

d) Autocorrelation Test

According to (Ghozali, 2018), the autocorrelation test aims to test whether in a linear regression model there is a correlation between confounding errors in period t and errors in period $t-1$. Where if there is a correlation, it is called the autocorrelation problem. Autocorrelation arises because successive observations over time are related to one another. A good regression model is one that is free from autocorrelation. This problem arises because the residuals are not independent from one another observation. This sort of issue

is often found in data time series. If there is a correlation, then there is what is called an autocorrelation problem.

3.6.3. Multiple Linear Regression Test

The multiple regression model is a practical extension of the model we just observed. It allows us to build a model with several independent variables (Uhr & King, 1969). This study uses multiple linear regression data analysis techniques, namely analysis techniques to determine the effect of independent variables on the dependent variable. Analysis technique to determine the effect of the independent variable on the dependent variable. Firm size as control variables can be seen how much influence they have on the relationship between dividend policy, capital structure, and earning growth as the independent variable and firm value as the dependent variable. The model in this study is:

$$PBV = \alpha + \beta_1 DP + \beta_2 CS + \beta_3 EG + \beta_4 SIZE + e$$

PBV = Firm Value

α = Constant

β = Coefficient

DP = Dividend Policy

CS = Capital Structure

EG = Earning Growth

SIZE = Firm Size

e = error

3.6.4. Hypothesis Test

a) T-test

T-test is used to determine each independent variable against the dependent variable (Ghozali, 2018). The significant level used is at 0.05. The criteria for acceptance or rejection of H0 are as follows: If H0 is rejected then Ha is accepted, if the value of t count > t table If H0 is accepted then Ha is rejected, if the calculated t value < t table. Decision making criteria decision-making criteria based on p-value at the 95% confidence level or a significant level of 0.05 is as follows:

1. If the $p\text{-value} > 0.05$, then H_0 is accepted. That is, there is no significant effect partially.
2. If $p\text{-value} < 0.05$, then H_0 is rejected. That is, there is a significant effect partially.

b) F-test

Simultaneous regression test (together) or F test is used to test influence of the independent variables together whether they have an influence significant influence on the dependent variable (Ghozali, 2018). In this study the hypothesis determined is the basis for decision making based on provisions as follows: If H_0 is rejected then H_a is accepted, if the value of F count $>$ F table. If H_0 accepted then H_a is rejected, if the value of F count $<$ F table. Criteria for making decision based on p-value with a significant level of 0.05 is as follows:

1. If the $p\text{-value} > 0.05$, then H_0 is accepted. That is, there is no significant effect simultaneously.
2. If $p\text{-value} < 0.05$, then H_0 is rejected. That is, there is a significant effect simultaneously.

c) Coefficient of Determination Test (R^2)

The coefficient of determination (R^2) is used to determine the extent to which the independent variables are able to explain the variation in the dependent variable. The greater the value of R^2 , the greater the ability of the independent variables to explain changes in the dependent variable.

V. CONCLUSION AND SUGESSTION

5.1 Conclusion

Based on the results of the study, the following conclusions can be drawn:

1. The results of this study show that dividend policy influences firm value. In the case of pharmaceutical sub-sector companies in Indonesia listed on the Indonesia Stock Exchange from 2010 to 2024, there is a significant impact of dividend policy on firm value; thus, H01 is accepted. The result means that when dividend policy, as measured by the dividend payout ratio, increases, firm value also rises; conversely, when it decreases, firm value tends to decline. Such a condition serves as a signal for investors to allocate their investment into the stock.
2. The results of the t-test indicate that capital structure does not have an impact on firm value in pharmaceutical sub-sector companies listed on the IDX during the 2010–2024 period. This conclusion is based on a significance level exceeding the established threshold ($\alpha = 0.05$), resulting in the rejection of the proposed hypothesis that capital structure influences firm value. The findings imply that variations in the proportion of debt do not play a decisive role in shaping investors' evaluations of company value. Instead, investors may place greater emphasis on factors such as profitability, growth opportunities, and overall operational performance. Consequently, shifts in capital structure do not appear to have affected market perceptions of firm value within the pharmaceutical subsector throughout the study period.

3. According to the research result, the earning growth has no impact to the firm value. Suggesting that the increase or decrease in earnings over time does not directly contribute to the enhancement of firm value in pharmaceutical sub-sector companies listed on the Indonesia Stock Exchange. This implies that investors may not consider earning growth as a reliable indicator in assessing the company's market value. Therefore, H03 is rejected.

Firm size as a control variable has a significant impact on firm value in the pharmaceutical sub-sector listed on the IDX during 2010–2024, because larger firms tend to operate more efficiently, achieve economies of scale, and have better access to external financing, making them more attractive to investors. This finding implies that company growth and expansion play an important role in enhancing firm value. Therefore, management is encouraged to strengthen firm size through sustainable growth strategies, such as capacity expansion, innovation, and strategic investments. For investors, firm size can be considered an important indicator in assessing firm stability and long-term value in the pharmaceutical sector.

5.2 Suggestions

Based on the conclusion, this study is expected to have a sustainable impact that contributes to the development of financial management science and corporate practices, particularly in relation to firm value. However, a number of strategic suggestions are needed to improve the quality of this research in the future so that it can serve as a tool to support policy formulation for various stakeholders. These suggestions include the following:

1. Future research is recommended to expand the scope of the sample beyond pharmaceutical companies listed on the Indonesia Stock Exchange (IDX). Including a broader range of IDX-listed firms, other publicly traded companies, or even cross-country data would increase the variability of the dataset and enhance the generalizability of the findings. Additionally, researchers should aim to address data availability challenges, particularly related to financial statements and dividend distribution records.

2. Companies should assess their capital structure on a regular basis to guarantee an appropriate debt-to-equity ratio. Although this research found that capital structure has no significant effect on firm value in pharmaceutical subsector companies listed on the IDX during 2010 and 2024, cautious debt management is still required. High amounts of leverage can increase financial risk while reducing financial flexibility. To ensure financial stability and investor trust, corporations are encouraged to adapt their debt policies in accordance with their financial capacities and long-term strategic goals.

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