Analysis of the Effect of Profitability, Solvability, and Dividend Policy on Firm Banking Value

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Abstract: This research is conducted to maximize the value of the firm. In this research, profitability is represented by return on equity (ROE), return on asset (ROA), while solvability is examined by debt to equity ratio (DER), debt to asset ratio (DAR). Dividend policy of the firm proxy with dividend payout ratio (DPR), and firm value is examined by price to book value (PBR). The purpose of this study was conducted to examine the influence between profitability, solvability, and dividend policy to firm value. Sample included banks listed on Indonesian stock exchange for the 2012-2014 period with a total of five banks using purposive sampling method. The analysis tool used is multiple regression analysis. Results from F-test showed that all of independent variable has a significant simultaneous effect to firm value with prediction ability of 80.4%, while the remaining 19.6% is influenced by other factors outside of this model. ROE has a significantly positive influence on firm value, implying that higher profitability (ROE) of a firm will result in a higher firm value. However, solvability (DAR) is significantly negative. An increase in solvability (DAR) of a firm will result in lower firm value.

Keywords: Bank, dividend policy, firm value, profitability, solvability