The Effect of Sales Growth, DPR and ROE on the Value of the Food and Beverage Industry Sub-Sector Companies Listed on the IDX 2014-2019 Period

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Abstract:- This study was conducted to test the influence of variable Sales *Growth*, Dividend Payout Ratio *(DPR)*, and Return on Equity *(ROE)* on Price to Book Value *(PBV)* Case study on 16 samples of companies registered in IDX in 2014-2019. The results of the study are Sales *Growth* and have no effect on Price to Book *Value (PBV)*, while Dividend Payout Ratio *(DPR)* and Return *on Equity (ROE)* affect Price to Book *Value (PBV)*.

Keywords:- SalesGrowth, Dividend Payout Ratio (DPR),and Return on Equity (ROE), Price to Book Value (PBV).

I. INTRODUCTION

Companies generally strive to achieve their goals, both short-term goals, namely maximizing the company's profit and long-term goals that are able to increase the value of the company and prosper the shareholders. Attracting investors to the company is the goal of increasing the value of the company (Pramana and Mustanda, 2016). Husnan and Pudjiastuti (2012:7) define the value of the company as the price that can be paid by prospective buyers when the company is sold. The company *goes public* or has offered shares to the public then the value of the company is interpreted as an investor's perception ofthecompanyitself. Investors can use the company's value as a basis to see the company's performance in the coming period, where the company's value is often associated with the share price.

According to Wijaya and Panji (2015), Investors can use the company's value as a basis to assess the company's future performance, the value of this company is often associated with the share price. The company's value can be measured using *price to book value (PBV)*ratio. Brigham and Houston (2015)stated that price to book value *(PBV)* is a comparison between the share price and the book value per share. The higher the PBV, the higher the level of prosperity of the shareholders which is the main goal of a company. PBV ratio can be used for all types of companies because book value can be a rational measure to assess the company. PBV ratio can be used to compare companies that have the same accounting standards in an industrial sector (Laksitaputri, 2012).

The following is an overview of the company's value as measured by PBV in the food and beverage sub-sector companies located in IDX.
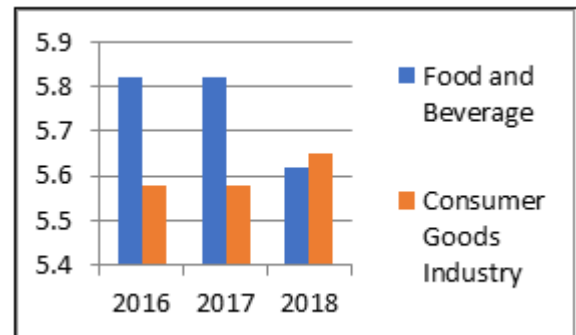

Figure 1: PBV Graphics
Source: IDX and processed by the author

From the chart, it is known that PBV for Food and Beverage sub-sector when compared to Consumer Goods Industry sector value is higher in2016 and 2017. While in 2018 both experienced a decline but for the Food and Beverage sub-sector is still lower compared to the Consumer Good Industry Sector.

In2015, food and beverage subsector manufacturing companies experienced a significant drop in share prices. This is because at the beginning of 2015, industri food and beverages experienced the impact ofthe rupiah exchange ratethat melemah. While bahan-raw materials (such as sugar, wheat, milk, fruit juice and soybeans) are imported, operational costs increase sharply (indonesia-investment).

"In 2017 the management of PT Tiga Pilar Sejahtera Food Tbk (AISA) when the company's share price fell to a level of Rp905 per share or decreased by 56% conveyed the statement that the decline occurred after the sticking of subsidized oplosan rice that befell its subsidiary PT Beras Unggul". (suara.com) . "PT Indofood CBP Sukses Makmur Tbk (ICBP) also has a stock price phenomenon in 2017. ICBP's share price plunged 2.57% to Rp8,525 pershare"level. (CNN UK) .

Fenomena the decline in the value of the above shares led to a decrease in the value of the company, thus lowering the level of investor confidence to invest in the company's food and beverage sub-sector.

According *to signaling theory,* "companiesthat are experiencing sales growth will strive to provide information toinvestors. Investors who know that the company continues to experience sales growth, will be interested in investing.

This is because the investor is confident in the company's growing growth followed by increased profitability. The higher the sales growth of a company, the higher the value of the company. The continuous increase in sales growth is an attraction for investors to invest. This will increase the share price of companies that invest. This will increase the company's share price which reflects thecompany's value.
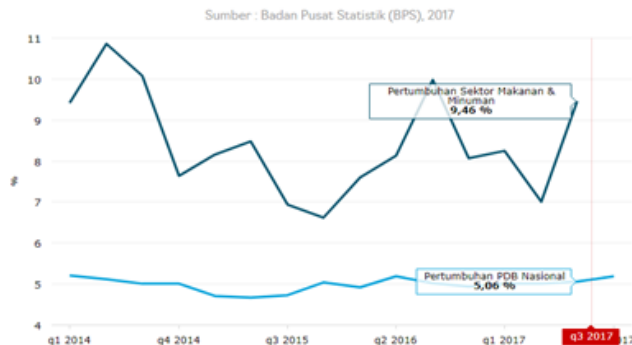

Figure 2: "Food industry growth and Minman Against GDP"
Source: www.kemenperin.go.id

From figure 2 above, it is known that the food and beverage sector always grows above the growth of National Gross Domestic Product (GDP). In the third quarter of 2017 the GDP of the food and beverage sub-sector grew by 9.46%, while the Indonesian economy grew only 5.06%.

"The Ministry of Industry noted, throughout 2018, the food and beverage industry was able to grow by 7.91 percent or exceed national economic growth at 5.17 percent. In fact, the growth of production of large and medium-sized manufacturing industries in the fourth quarter of 2018 increased by 3.9 percent against the fourth quarter of 2017, partly due to the increase in beverage industry production which reached 23.44 percent. Furthermore, the makaan industry became one of the sectors that supported the increase in the value of national investment, which in 2018 contributed up to 56.6 trillion rupiah. The realization of total investment value in the manufacturing industry sector throughout 2018 reached 222.3 trillionrupiah". (kemenperin.go.id).

II. LITERATURE REVIEW

a) Agency Theory
According to Jensen and Meckling (1976), "agencytheory explains the relationship between principal and agent. According to agency theory, principals as shareholders or owners hire agents or managers to manage their resources efficiently and effectively to provide profit and sustainability of the company. Basically in economic information, the theory of agency developed into two parts namely positivist and principal-agent" (Jensen, 1983). The section has the same analysis unit that is the contract between the principal and the agent. Both have similar assumptions about people, organizations, and information. Even so, they have differences in mathematical rigidity, dependent variables, and styles.

b) Signalling Theory
Brigham & Houston (2014), "states that *signalling theory* is a shareholder's view of the company's future opportunities to increase the value of the company, where such information is provided by the company's management to shareholders. This action is done by the company to signal to shareholders or investors about the management of the company in looking at the company's future prospects so as to distinguish good quality companies and poor quality companies. Published company reports can be used as instructions for shareholders and consideration materials in investing. Company management can provide company reports as internal interests. Investor interest can be maintained by providing information about the company to shareholders"

c) Dividend Irrelevance Theory
According to (Modigliani-Miller, 1961), this theory states that the value of a company is only determined by the company's ability to generate *earning* and business risk, not on how the company separates *earnings* to *retained earnings* and dividends. As such, Modigliani-Miller states that the payment of dividends now or later (in the form of capital gains) is irrelevant. Mm further argues that the value of the company is determined by the earning power of the company's assets. Thus the value of the company is determined by investment decisions. Meanwhile, the decision whether the profit earned will be distributed in the form of dividends or will be withheld does not affect the value of the company. The important thing in Modligiani Miller's opinion is that the effect of dividend payments on shareholder prosperity will be offset by the same amount as other means of spending or fulfilling funds.

d) Company Value Theory
Brigham and Gapenski (2006) "stated that the value of the company can be measured by price to book value (PBV)".

The existence of PBV is very important for investors to determine investment strategies in the capital market because through PBV, investors can predict stocks that are overvalued or undervalued. PBV illustrates how much the market values the book value of a company's stock. Companies that run well, generally have a PBV ratio above one, which reflects that the stock market value is greater than the book value. PBV reflects the level of prosperity of shareholders, where prosperity for shareholders is the goal of the company (Weston and Brigham, 2011:58).

e) Sales Growth
Companies that have positive sales growth will get a positive rating in the eyes of investors. Increased sales growth of companies that can be responded positively by investors can have an impact on the value of the company that also increases.

Brigham and Houston (2010:39) "said that companies with relatively stable sales can more securely obtain more loans and bear a higher fixed burden compared to companies whose sales are unstable". Weston and Copeland (2008:36)

"mentioned that if sales and profit increase itwill increasethecompany's revenue, on the contrary if sales and profit decrease it will decrease the company's revenue. Sales growth is a measure of the size of the company's earnings per share enlarged by debt. A company that is in an industry that has a high rate of growth, must provide sufficient capital for the company. Based on the above definition can be explained Growth is a change in total assets both in the form of increase and decrease experienced by the company during a period (one year)".

III.   CONCEPTUAL FRAMEWORK

In this study the authors aim to analyze whether variable *Sales*Growth, *Dividend Payout Ratio (DPR),*and Return on Equity *(ROE)* affect Price to Book *Value (PBV)* in beverage food sub-sector companies in 2014-2019
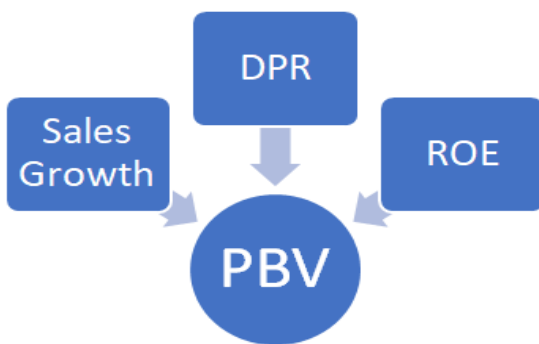

Figure 3 : Conceptual Framework

H1 : *Sales Growth positively* affects the company's value.
H2 : *Dividend Payout Ratio (DPR)* positively affects the value of the company.
H3 : *Return on Equity (ROE)* positively affects the value of the company.

IV.   RESEARCH METHODS

The type of research used in this study uses a type of quantitative research, this research is a study that highlights the causal relationship between research variables and tests the hypotheses that have been formulated.

Methods to find and collect data that can be measured by numbers or percentages, usually the data obtained will be further processed using models, theories, and mathematical formulas, so that from the data can be drawn a conclusion.

V.   DATA

The samples in this study are food and beverage industry sector companies listed on the Indonesia Stock Exchange. The sampling technique in this study is to use purposive sampling method, meaning that the population to be sampled in this study is a population that meets certain sample criteria.

VI.   RESEARCH RESULTS

Analysis results are as follows:

a. DESCRIPTIVE STATISTICS

	PBV	GROWTH	DPR	ROE
Mean	3.470260	0.160458	0.209052	0.160875
Median	1.552500	0.089500	0.111000	0.118000
Maximum	32.85000	6.229000	1.202000	1.563000
Minimum	-0.458000	-0.786000	0.000000	-0.684000
Std. Dev.	5.854095	0.648416	0.276761	0.292991
Skewness	3.679073	8.645370	1.472926	2.425410
Kurtosis	16.35350	81.67122	4.663832	11.94665
Jarque-Bera	929.8336	25952.52	45.78552	414.2917
Probability	0.000000	0.000000	0.000000	0.000000
Sum	333.1450	15.40400	20.06900	15.44400
Sum Sq. Dev.	3255.690	39.94214	7.276665	8.155153
Observations	96	96	96	96

Table 1: Descriptive Analysis Results

1. Growth (X_1)
Growth has the lowest value (minimum) of -0.786, namely PT. Tiga Pilar Sejahtera Food Tbk in 2018, while the highest *Growth* (maximum) is 6,229 at PT. Sekar Bumi Tbk in 2017. The average value (*mean) Growth* of 0.168288.

These results indicate that the company PT. Tiga Pilar Sejahtera Food Tbk in 2018 did not experience sales growth, but negative (minus). On the contrary, pt. Sekar Bumi Tbk in 2017 experienced a very strong growth of more than six times.

2. DPR (X_2)
The House has the lowest value (minimum) of 0.00, namely in seven companies that do not distribute dividends, while the highest DPR (maximum) is 1,202 at PT. Delta Djakarta Tbk in 2019. The average valueof the House of Representatives is 0.209. The resultsshow that some companies have decided not to distribute dividends and prefer to expand. On the contrary, pt. Delta Djakarta Tbk was able to pay a dividend of 120.2% of net profit to be distributed to shareholders.

3. ROE (X_3)
ROE has the lowest value (minimum) of -0.684 i.e. in PT. Tiga Pilar Sejahtera Food Tbk in 2019, while the highest ROE (maximum) is 1,563 occurred in the same company namely PT. Tiga Pilar Sejahtera Food Tbk in 2017. The average value (*mean*) ROEof 0.1608.

This indicates that PT. Tiga Pilar Sejahtera Food Tbk in 2017 benefited far above the industry ROE average. But in 2019 PT. Tiga Pilar Sejahtera Food Tbk again suffered a considerable loss with ROE value that is far below the average value of industrial ROE.

4. PBV (Y)

PBV has the lowest value (minimum) of -0.458, namely PT. Tiga Pilar Sejahtera Food Tbk in 2017, while the highest PBV (maximum) is 32.85 at PT. Multi Bintang Indonesia in 2018. The average value (*mean*) PBV is 3.47.

These results indicate that PT. Tiga Pilar Sejahtera Food Tbk in 2017 has a company book value below zero. While PT. Multi Bintang Indonesia has a PBV well above the industry average PBV.

b. REGRESSION ANALYSIS DATA PANEL

The selected model is fixed effect model with the following result:

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.853698	0.590404	3.139713	0.0024
GROWTH	-0.048080	0.519311	-0.092584	0.9265
DPR	4.447962	2.284889	1.946686	0.0552
ROE	4.316530	1.484402	2.907925	0.0048
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.791963	Mean dependent var		3.470260
Adjusted R-squared	0.743331	S.D. dependent var		5.854095
S.E. of regression	2.965832	Akaike info criterion		5.187483
Sum squared resid	677.3044	Schwarz criterion		5.695010
Log likelihood	-229.9992	Hannan-Quinn criter.		5.392634
F-statistic	16.28479	Durbin-Watson stat		2.562303
Prob(F-statistic)	0.000000			

Table 2: Panel Data Results

Themodels are as follows:

PBV = 1.853698 - 0. 048080Growth + 4.447962 DPR + 4.316530ROE

c. CYSTIC TEST T (PARTIAL)

If using α = 5% then only ROE variables are significant, but if using α = 10% then there are two significant variables namely ROE and DPR variables.

d. STATISTICAL TEST F (SIMULTANEOUS)

Based on Table 5.2, it can be concluded that simultaneously the variables GROWTH,DPR and ROE have a signifikan effect on PBV.

e. DETERMINATION COEFFICIENT (R^2)

Based on table 5.2, the Nilai coefficient of determination (R Square) is 0.7919. The magnitude of the R square value of 0.7919 = 79.19% which means that *the independent* variable has a strong enough influence on dependent variables by 79.19% while the remaining 20.81% is influenced by other variables ofthis itian.

VII. DISCUSSION

1. Sales Growth

The results of this study showed that sales growth had no significant effect on the value of the company, so H1 ditolak. The results of this study are in line with previous research conducted by Apriliyanti (2019) which showed *sales growth* had no significant effect on the company's value.

The reason for the rejection of the first hypothesis is that the increase in sales cannot increase the value of the company, because the increase in sales growth is only seen from the company's revenue that has not been reduced by other costs. When the company experiences an increase in sales, it does not necessarily mean that the company's profit will also increase, if the cost increases is not balanced with the increase in sales it will cause a decrease in profit so that it can not increase the company's share price and the value of the company. Conversely, if sales growth increases but the company can still control the cost of costs incurred, then profits will increase and increase the value of the company.

The growth rate of future sales shows the size to how much revenue per share can be increased by the use of debt, which the use of debt results in the company has to pay interest periodically. For companies with high sales growth rates the tendency to use debt is greater compared to companies with low growth rates. Rapid sales growth also requires high costs, which if these costs are not controlled will lead to a decrease in profit followed by a decrease in the value of the company.

2. Dividend Payout Ratio (DPR)

The results of this study showed that dividend policy has a significant effect on the value of the company, so H2 is accepted. High dividends will reduce uncertainty about the expected outcome of their investments and can also increase shareholder confidence in the company so that the value of shares can also increase, as investors generally prefer current earnings.

This is not in line with MM's theory that "thepayment of dividends now or later (in the form of capital gains) is irrelevant, as it produces the same companyvalue". But it is in line with Gordon and Lintner'stheory of bird in the hand *theory* that investors prefer dividend payments over capital gains.

The results of this study are in line with previous research conducted by (Endri and Fathony, 2020) which stated that the dividend policy positively affects the value of the company.

3. Profitability (ROE)

The results of this study show that profitability has a positive and significant effect on the value of the company, so H3 is accepted. This means that if profitability increases then the value of the company will also increase. This is in line with Weston and Brigham's theory (2001) which states "thatprofitability as measured by a high ROE reflects the

company's good position, so that the value given by the market and reflected in the company's share price will also be good".

The better the profitability of a company, the better the future prospects of the company, which means that in the eyes of investors the value of the company will be better. If the company's ability to generate profit increases then the share price will also increase. Therefore, the higher the ratio, the better the position of the company, which means that the company has the ability to return the investment used. This allows the company to collect investments from funds that can be obtained from internal retained earnings, so that the information in ROE has a positive value for investors and can increase the value of the company.

The results of this study are in line with previous research conducted by Sabrin, et al (2016) which showed profitability positively affects the value of the company.

VIII. CONCLUSIONS AND SUGGESTIONS

a) Conclusion
1. Sales Growth (*Growth of Sales)* has no effect on the value of the company (case study on food and beverage industry sub-sector companies registered in the period 2014-2019).
2. Dividend policy affects the value of the company (case study on food and beverage industry sub-sector companies listed in bei period 2014-2019).
3. Profitability affects the value of the company (case study on sub-sector companies of the food and beverage industry listed in the period 2014-2019).

b) Managerial Advice
1. For The Company
✓ The company should not only focus on sales growth but also the cost of costs incurred to be balanced and can see the company's profit, because sales growth alone does not have enough effect on the value of the company.
2. For Investors
✓ So that investors who want to invest so that not only look at the dividend policy, but rather look to the capital gains for investment decisions.
✓ For investors who want to invest in companies are advised to choose a company with a highlevel of profitability, so as to reduce the risk in investing.

c) Research limitations
1. Limited research uses only 96 samples to be studied, so the results of the study are very limited and less accurate.
2. This study only uses three independent variables namely Growth, DPR, and ROE, where the variables are not strong enough to determine the value of the company, because there are still many other variables that can affect the value of thecompany.
3. This research is limited to the research subjects in the food and beverage sub-sector industry companies as many as 16 companies, so the information obtained is very limited which leads to a lack of insight for investors in choosing companies toinvest.

d) Suggestions for further research
1. Further research is recommended to take more samples, because the more samples, the better the results will be accurate.
2. Further research is recommended to use other variables as additional variables, such as *Company Size, Leverage, Current Ratio, Net Profit Margin* and others, because there are still many factors that can affect the value of the company so that the results of the research obtained are more maximal.
3. Further research is suggested to expand the research subjects, not only in the food and beverage sub-sector, but to other emerging industry sectors in order to add insight for writers and investors in choosing companies to invest.

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