The Impact Of Management Policy On Firm Value During Covid-19 In The Pharmaceutical Sub-Sector

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Abstract:
This study aims to determine the influence of management policies (investment decisions, funding decisions and dividend policies) on company value before and during COVID-19 in the pharmaceutical sub-sector listed on the Indonesia Stock Exchange. This research data is secondary data with quantitative research type. The sample in this study amounted to 10 companies and was processed using the SPSS program. The first result of this study is the research findings before COVID-19 for investment decision variables and funding decisions have no effect on company value, while for dividend policy in research before COVID-19 has an influence on company value. The second result is the findings of research during COVID-19 for investment decision variables and dividend policy did not affect company value, while funding decisions in research during COVID-19 had an influence on company value

Key Word*: Management Policy; Investment Decision; Funding Decision; Dividend Policy; Company Value*

I. Introduction

COVID-19 initially reached Indonesia in early March 2020, and it spread quickly and equally throughout the country, leading to widespread societal restrictions (PSBB) in Indonesia. Nearly all industries, not only the health sector, have been impacted by this pandemic. The pandemic has had a significant influence on the economy as well. The activities of Indonesians are also constrained by widespread societal prohibitions, which have an effect on corporate operations and the country's economy.

Since practically everyone works from home due to the widespread social restrictions imposed by the epidemic, numerous new business ventures can be started during the pandemic, such as setting up an online store, working as a freelancer, engaging in home cooking, and selling masks and health supplies. Since the COVID-19 pandemic, the pharmaceutical sector has innovated in the same way by becoming digital and making it simpler for consumers to administer first aid. Since the pandemic reached Indonesia, the pharmaceutical industry has had to maintain the safety and comfort of numerous parties, particularly those who are undergoing independent isolation. As a result, telemedicine has become an important tool for locating information, speaking with doctors, and obtaining the required medications.

The chemical, pharmaceutical, and traditional medicine industry sub-sectors on the basis of current prices (ADHB) reached RP 339.18 trillion in 2021, according to the Central Bureau of Statistics (BPS). This is a result of the high demand for medications, particularly traditional medicines and vaccines, to preserve and enhance bodily health throughout the pandemic. The pharmaceutical sub-sector, which is listed on the Indonesia Stock Exchange, is the subject of research on the impact of management policies on firm value before and after COVID-19.

Maintaining corporate value is crucial for businesses that become public on the Indonesia Stock Exchange. An investor's opinion of the business in relation to the stock price includes firm value (Sari & Priyadi, 2016). The prosperity of shareholders shall grow as the company's value rises (Nurhayati, 2013). The worth of a company can be raised by using financial management as effectively as possible. Financial management focuses on a variety of business tasks, particularly those that have to do with how to raise money, distribute it, and manage assets in order to achieve business objectives. Investment choices, funding choices, and dividend policies make up the three basic financial management policies (Cahyaningdyah & Ressany, 2012).

Investment decisions are ones that investors make in order to acquire assets with greater value in the future. Because the corporation is unable to constantly carry out all investment decisions in the future, the investments chosen are occasionally not adequately developed. The potential of not acting on decisions to take advantage of investment opportunities will have an adverse impact on the company, resulting in higher costs than the value of missed opportunities. This adverse effect also sends a bad message to the company, which could lead to a decline in the company's worth in the future.

A company's funding decisions can be classified into two categories: funding sources from within the company and funding sources from outside the company. While funding sources from external companies can be obtained from creditors, funding sources from internal companies might come from retained earnings and the depreciation of fixed assets. The company's financial manager must also be able to calculate the cost of capital, which will serve as the foundation for calculating the required return. As a consequence, the financial manager must also be able to decide on the form and makeup of the funds that will be used by the company to maximize and raise its valueence, the financial manager must also be able to decide on the form and makeup of the funds that will be used by the company to maximize and raise its value. Consideration of a dividend policy comes once the business' operational processes are solid and its revenue is operating efficiently.

Dividend policy is a decision that must be made by financial managers if the company has experienced profits, then the profits will be distributed to shareholders or used to expand the company. An important aspect of dividend policy is the way financial managers allocate profits between dividend payments and retained earnings. Companies that have good flexibility and accessibility to obtain funds from good capital markets can provide positive signals and good prospects for investors so that they will be able to have a positive influence on firm value.

II. Literature Review

Agency Therory
According to the theory of agency developed by Jensen and Meckling (Jensen & Meckling, 1979), an agency relationship exists between the principal (a shareholder) and the agent (a manager). The principal hires the agent to carry out various duties within the organization on their behalf. Due to the fact that the obligations given by the principle include giving the agent the power to make choices for the company, there will eventually be an information gap that leads to conflicts of interest. The dispute that arises may result in agency expenses. According to Jensen and Meckling (1979), agency expenses can be divided into three categories: monitoring costs, bonding costs, and residual costs.

Signaling Theory
According to the notion of signaling, a company's management will operate in a way that tells investors how they feel about the company's prospects (Bringham & Houston, 2017). Investors consider promising corporate potential a favorable sign that will ultimately boost the company's value. Investors receive adverse news from negative signals. Signaling theory, often known as asymmetric information theory, is concerned with the information imbalance between business management and those interested in this information.

Investment Decision
Investment of funds made by investors into a corporation into assets with the anticipation of future rewards (Agus & Martono, 2007). The three categories of investments are short-, medium-, and long-term investments. In order for the appropriate investment decision to have an impact on the company's worth, investors must decide the industry to invest in as well as the length of the investment to be made. A high level of return relative to the degree of risk taken is the goal of investment decisions. The assets of the company will perform at their peak levels if the company can make the proper investment (Syahzuni, 2021). The price-earnings ratio (PER) is the proxy utilized in this study to assess investment choices.

Funding Decision
The decision to make has to do with the kind and volume of investment capital put into a business. Businesses that are able to secure finance can then ask investors to contribute capital; in exchange, the investor will receive an interest rate or return (NiNi et al., 2009). Investment and funding decisions are tied to each other. It is because the amount of funding that must be raised depends on the amount of investment made. Investors anticipate a rate of return as well. The debt-to-equity ratio (DER) is the proxy utilized in this study to assess funding decisions.

Dividend Policy
The company's financial decisions and dividend policy are intertwined (Fadly et al., 2020). A financial decision known as a dividend policy takes into account the provision or payment of dividends in order to promote shareholder prosperity. The policy governing dividend payments is crucial for a business since it involves shareholders and management, two groups with opposing interests (Arizki et al., 2019). The dividend payout ratio (DPR) is the proxy employed in this study to assess dividend policy.

Company Value

Firm value is the market value of the shares a firm owns if it has gone public; if it has not, company value is the value that results from the sale of the company (Vernando & Erawati, 2020). Price book value (PBV) is used in this study as a proxy for business worth. The price-to-book value ratio can be used to determine if a share's price is fair, excessive, or undervalued (Hirdinis, 2019). The worth of the corporation increases as the book value increases. Investors also place a high value on a firm's value because a higher company value enhances investors' wealth.

Previous Study

A study from Pamungkas and Puspaningsih (Pamungkas & Puspitaningsih, 2013) stated that funding decisions, dividend policy, and company size have no impact on firm value. However, investment decisions have a favorable impact on firm value. According to Lestari (Lestari, 2017), funding, dividend, and investment policies all influence business value at the same time. Cahyaningdyah and Ressany (Cahyaningdyah & Ressany, 2012) stated that management policy influences company value simultaneously. According to Prihapsari (Prihapsari, 2015), investment choices have little impact on a company's value.

III. Methods

Research Design

This is a quantitative study that employs secondary data. The study design utilized is a causal design, and data is processed using the Statistical Package for Social Sciences (SPSS).

Data dan Sampel

Secondary data in the form of financial data listed on the Indonesia Stock Exchange from 2017 to 2019 for the pre-COVID-19 period and from 2020 to 2022 for the COVID-19 period was used in this study. The information was obtained from www.idx.go.id. This study's sample consists of ten pharmaceutical companies listed on the Indonesian Stock Exchange.

Research Variable

There are two types of variables in this study: exogenous variables and endogenous variables. The following is the variable:
1. In this study, the independent variables (exogenous) include investment decisions, funding decisions, and dividend policies.
2. In this study, the dependent variable (endogenous) is the firm value.

Operational Definition and Measuring Variable
1. Investment decisions
     The proxy for investment decisions in this study uses the Price Earnings Ratio (PER). Price earting ratio is a comparison of stock prices with earnings per share.
2. Funding decisions
     The proxy for funding decisions in this study uses the Debt-to-Equity Ratio (DER). Debt to equity ratio is the ratio of total debt to total equity.
3. Dividend policy
     The proxy for dividend policy in this study uses the Dividend Payout Ratio (DPR). Dividend payout ratio is the ratio of dividends per share to earnings per share.
4. Company value
     The proxy for company value in this study uses the Price Book Value Ratio (PBV). Price book value ratio is the ratio of the share price per share to the book value per share (Vernando & Erawati, 2020).

Data Collection

The data collected in this study is documentation, including internal data obtained from the documentation of the object under study, ranging from 2017 to 2022.

Analysis Technique

The following data analysis approaches were used in this study:
1. Carrying out theoretical and deductive studies on the research model
2. Outlining the research model. The basic model and equation model employed in this investigation are as follows:

Value it=α0 +βinvestasi+βpendanaan+ +βdeviden+eit

Where:

α0 = alpha

βinvestasi = Investment decisions

βpendanaan = Funding decisions
βdeviden = Dividend policy
Valueit = Company value
eit = standard error

3. Analysing the data.
4. Conducting econometric analysis in this study using the Statistical Package for Social Sciences (SPSS).

IV. Result anda Discussion

Data 2017-2019 Before Covid-19

Tabel 1. F Data Test Before the Occurrence of COVID-19

ANOVAa

	Model	Sum of square	df	Mean square	F	Sig.
1	Regression	2510145803.19	3	836715267.730	3.979	.019b
	Residual	5467268465.51	26	210279556.366		
	Total	7977414268.7	29			

a. Dependent Variable: PBV
b. Predictors: (Constant), DPR, DER, PER

Table 1 shows that the F test performed on the research sample before COVID-19 was 3.979 with a significance level of 0.019, indicating that the significance level was less than 5%. A significance less than 5% indicates that the model developed in this study is suitable for testing at the next level.

Table 2. R2 Data Test Before the Occurrence of COVID-19

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.561a	0.315	0.236	14501.019149

a. Predictors: (Constant), DPR, DER, PER

Table 2 shows that the R2 of this study is 0.315 or 31.5%, indicating that investment choice variables, funding decisions, and dividend policy influence 31.5% of this study. Other variables influence this study by as much as 68.5%.

Table 3. T Data Test Before the Occurrence of COVID-19

Coefficientsa

	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	10923.19	8559.8559.803		1.276	0.213
	PER	-0.702	0.39	-0.341	-1.802	0.083
	DER	-1.557	5.279	-0.056	-0.295	0.77
	DPR	2.687	0.856	0.56	3.138	0.004

a. Dependent Variable: PBV

Table 3 is a t test that shows that investment decisions have a significance level greater than 5%, or 8.3%. Funding decisions have a significance level of 77%, which is greater than 5%. The significance threshold for dividend policy is less than 5%, or 0.4%. It can be said that prior studies on investment choice variables and funding decisions had no effect on business value. Meanwhile, the dividend policy in studies prior to COVID-19 affects corporate value.

Data 2020-2022 During Covid-19

Tabel 4. F Data Test During COVID-19
ANOVAa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	185622650.872	3	61874216.957	6.887	.001b
	Residual	260529718.037	29	-8983783.381		
	Total	446152368.909	32			

a. Dependent Variable: PBV
b. Predictors: (Constant), DPR, PER, DER

The F test performed on the research sample when COVID-19 is 6.887 with a significance level of 0.01 where the significance level is less than 5% is shown in Table 4. A significance less than 5% indicates that the model developed in this study is suitable for testing at the next level.

Table 5. R2 Data Test During COVID-19
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.645a	.416	.356	2997.296012

a. Predictors: (Constant), DPR, PER, DER

Table 5 shows that the R2 of this study is 0.4165 or 41.6%, indicating that investment choice variables, funding decisions, and dividend policy influence 41.6% of this study. Other variables affected this study by as much as 58.4%.

Table 6. T Data Test During COVID-19
Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2806.199	2580.174		-1.088	.286
		.168	.098	.257	1.713	.097
	PER	1.442	.507	.505	2.841	.008
		.089	.101	.157	.878	.387
	DER	-2806.199	2580.174		-1.088	.286
	DPR	.168	.098	.257	1.713	.097

a. Dependent Variable: PBV

Table 6 is a t test that shows that investment decisions have a significance level greater than 5%, or 9.7%. Funding decisions have a significance level of 0.8%, which is less than 5%. Dividend policy is significant at a level greater than 5%, namely 38.74%. The research findings, where COVID-19 for investment choice variables and dividend policy have no effect on business value can be asserted. Meanwhile, research funding decisions in COVID-19 have an impact on corporate value.

Discussion

In pre-COVID-19 studies, investment decisions had little effect on company value. This means that the company's asset growth, whether high or low, and future investment decisions have no effect on firm value. This study contradicts the findings of Lestari (Lestari, 2017) and Cahyaningdyah and Ressany (Cahyaningdyah & Ressany, 2012).

The nature of funding decisions in the pharmaceutical sub-sector from a combination of short-term, long-term loans, and personal funds can cause investor concerns about the risk of bankruptcy due to the use of debt as a source of funding in the data prior to COVID-19, explaining why funding decisions had no effect on

firm value in the data prior to COVID-19. This can also deter investors from investing. This study supports the findings of (Pamungkas & Puspitaningsih, 2013), who found that funding decisions have little effect on business value.

The findings of a prior study suggest that dividend policy has an impact on firm value. This is because by allocating earnings to shareholders, the company is perceived to have good and lucrative performance. The bigger the dividends distributed, the better the company's performance, and investors will see it as a favorable signal and raise their appraisal of the company, allowing it to improve its value.

The study's findings indicate that investment decisions have no effect at the time of COVID-19, and there is no difference when compared to studies prior to COVID-19, implying that the size of a company's asset growth is not always or not too bothered by investors. Another factor could be that pharmaceutical corporations made poor investment decisions. This study is consistent with the findings of (Prihapsari, 2015).

According to the study's findings, financial decisions at the time of COVID-19 have an impact on business value. According to this study, if funding decisions made at the time of COVID-19 grow, it will also improve the company's value. The positive influence of funding decisions indicates that a company's decision is to employ funding obtained through the use of more equity rather than debt, and thus the profit obtained will be bigger. This study is consistent with the findings of Lestari (Lestari, 2017).

According to the findings, dividend policy had no effect on business value during COVID-19. The findings of this study are consistent with those of (Pamungkas & Puspitaningsih, 2013). There are various elements that contribute to dividend policy having little influence on firm value. For example, investors do not require dividends to convert their shares into cash, so they do not pay higher prices for companies with substantial dividend payments.

V. Conclusion

Based on analysis and discussion, there are two points that can be conclude for this study. First, the findings of study before to COVID-19 for investment choice variables and funding decisions have no effect on firm value, however dividend policy in research prior to COVID-19 has an effect on firm value. Second, the findings of study during COVID-19 for investment choice variables and dividend policy have no effect on company value, however funding decisions in COVID-19 research have an effect on firm value. Therefore, the further research can be done by expanding the sample range in future studies, such as in the manufacturing industry. Also, it might be better to add study variables to define the factors that influence business value, such as company size, leverage, and so on.

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