

The Effect of Return on Equity (ROE) on Company Value with Dividend and Leverage as Moderating Variables

(Study on Manufacturing Companies that Listing in Indonesia Stock Exchange Period 2013-2017)

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Abstract: *This study aims to determine the effect of Return on Equity (ROE) on Company Values with Dividends and Leverage as Moderating Variables (Study on Manufacturing Companies that Listing on the Indonesia Stock Exchange Period 2013-2017). This research only focused on Return on Equity (ROE) on company values proxied with Tobin's Q, with Dividend Payout Ratio (DPR) and Debt to Equity Ratio (DER) as Moderating variables. The type of research used is associative causal. The data collection method used is the sample survey method with the sample technique used is purposive sampling. The object in this study is a manufacturing company listed on the Indonesia Stock Exchange in the period 2013-2017. The population in this study was 14 companies that were included in the study criteria. The results of this study indicate that the ROE variable has a positive and significant effect on firm value. The DPR variable is not able to act as a moderator in the influence of ROE on firm value. Variable DER is able to act as a moderator in strengthening the effect of ROE on firm value.*

Keywords: ROE, Tobin's Q, DPR and DER

1. Introduction

One country's economic growth can be demonstrated by the development of the industrial sector and services in the country, the better the growth of the two sectors, the better economic development in the country. The growth of the industrial sector and services will create competition between companies. Competition between companies in Indonesia is currently showing progress from day to day, increasing competition can encourage companies in general to want to survive in competition, even want to increase the scale of production is getting bigger, so companies need additional funds. One way to get funds is to become an issuer in the capital market, by becoming an issuer in the capital market the company can obtain funds from investors both local investors and foreign investors.

The capital market is a place where the excess funds (lenders / investors) meet and those who lack funds (borrowers / issuers) by way of trading - buying securities (Tandelilin, 2001). Susilo (2009) states that the capital market is often interpreted as a place for transactions of parties that need funds (companies) and parties that are excess funds (investors). According to Hartono (2013) the capital market is a company means to increase long-term funding needs by selling shares or issuing bonds, so it can be concluded that the excess party investors (investors) with those who need funds (issuers) and where investment activities are called markets capital.

Investing in the capital market basically aims to obtain profits (returns), but investors must also be prepared to bear the risks of the investments they invest. Investment in shares in the capital market is classified as high-risk investments, because

the nature of the commodity is very sensitive to macroeconomic changes in the country and abroad (Arvianto, et al., 2014), so that in an effort to minimize the risk that will be accepted by investors, in addition to considering factors macroeconomics, investors will also see from micro economic factors, where micro economic factors can be seen from the policies and performance of the company. Good company policies and performance will make the company valuable before investors.

The value of a company that has gone public is reflected in the market price of a company's stock, while the value of a company that has not gone public can be measured by the selling price if the company is sold which not only reflects the value of the company's assets but includes the level of business risk, company prospects, management, environment business, and other factors (Sartono, 2001).

The difference in corporate value from some manufacturing companies can depend on how managers manage the company, because the goals that financial managers must achieve are not maximizing profits but maximizing the value of the company (Sartono, 2001). Firm values can be influenced by several factors, namely: liquidity ratios, asset management ratio, debt management ratio (leverage), and profitability ratio (Brigham and Houston, 2012).

According to Fahmi (2013) financial ratios are grouped in six types, consisting of liquidity ratios, leverage ratios, activity ratios, profitability ratios, growth ratios and market value ratios. This research focuses on the proxy of Return on Equity (ROE) which is the profitability ratio of Company Value proxied with Tobin's Q with dividends proxied with Dividend Payout Ratio (DPR) and Leverage proxied by Debt to Equity Ratio (DER) as a moderating variable. This variable is chosen

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because it is very important to know the performance of a company that can affect company value. This is because ROE is widely used to measure company performance in increasing the company's profitability, while dividends are the main factor that is able to attract the attention of investors and leverage to find out how much debt to their own capital is used in the company. These ratios can be used as consideration for investors as a benchmark when investing in the company.

ROE (Return on Equity) Proxy is a financial performance in a company's performance. ROE is used to measure the extent to which a company uses its resources to be able to provide a return on equity (Fahmi, 2013). With the performance of the company shown by good financial performance will also increase the value of the company; this is due to the increasing interest of the company's shares by investors. According to (Cahyono, 2000) ROE is used to measure the rate of return of the company or the effectiveness of the company in generating profits by utilizing company capital. If the profitability of the company is good then the stakeholders consisting of creditors, suppliers, and investors will also see the extent to which the company can generate profits from sales and investment of the company.

Good corporate performance will also increase the value of the company. The high level of investor confidence will affect the public response to the company, which in turn will also affect the demand for shares so that this high and low ratio affects stock prices (Djazuli, 2006). This is supported by research conducted by Rinanti (2009), where this study states ROE has a significant effect on stock prices. Then followed by Mahendra, et al (2011) which produces profitability that is proxied by ROE significantly positive effect on firm value. Mahendara's results, et al (2011) are strengthened by Dwi and Wijaya (2013) and Amirullah (2018) which produce ROE significantly positive effect on firm value, among studies that state a significant positive influence there are studies that produce significant negative effects on values company, namely research conducted by Herawati (2012) which states that profitability that is proxied by ROE has a significant and negative effect on firm value. In contrast to research that states ROE has a positive and significant effect, Rahayu's (2010) study produces ROE that does not have a significant effect on firm value. The results of Rahayu's research (2010) are in line with the research of Uli (2009) stating that ROE does not affect stock prices.

Referring to the previous research in which the results were not aligned, so that other factors could be identified that could moderate the effect of ROE on firm value which resulted in inconsistent research results. Other factors that might moderate the influence between ROE and Company Value can be derived from policies issued by the company, policies can be in the form of dividends or sourced from the capital structure in the form of leverage contained in the company.

Dividend policy is a decision to distribute profits to shareholders. This policy relates to determining how much profit will be shared with shareholders in the form of dividends and how many parts will be held in the company

(Indrastanti and Eny, 2011: 101). Dividends are also a factor that can affect company value, this is because dividends are the center of attention of many parties, such as shareholders, creditors, and other external parties. Company value can be seen from the ability of companies to pay dividends. Investors have the main goal of increasing welfare by expecting returns in the form of dividends and capital gains. Nur (2010) states that the higher the dividend, the higher the value of the company. The definition of optimal dividend policy is a dividend policy that creates a balance between current dividends and future growth so as to maximize the company's stock price (Weston and Brigham, 2005). Total return to shareholders during a certain time consists of an increase in stock prices plus dividends received. If the company sets a higher dividend than the previous year, then the return obtained by investors will be higher.

According to Fama and French in Wijaya and Wibawa (2010) states that investments generated from dividend policies have positive information about the company in the future, then have a positive impact on the value of the company. The amount of this dividend can affect stock prices. If dividends are paid high, then the stock price tends to be high so that the company's value is also high. Dividends in this study are projected in the form of Dividend Payout Ratio (DPR).

Leverage can be reflected in the company's funding decisions. According to Moeljadi (2006) funding decisions are related to the selection of the company's funding sources, known as company spending. Funding can be done by using various funding sources, both from outside and within the company. Funding that uses funds originating from outside the company is called external financing, for example from debt, prospective new shareholders and prospective creditors. Whereas, funds originating from within the company are called internal financing, for example derived from own capital and retained earnings or various depreciation, such as depreciation reserves.

Funding decisions determine the capital structure, namely consideration of long-term debt with own capital, then the funding decision is often referred to as capital structure decisions. Signal theory explains that a company that increases debt can be seen as a company that is confident in the prospects of the company to come. Increased debt also means outsiders about the ability of companies to pay their obligations in the future or low business risks, so that additional debt will provide a positive signal (Brigham and Houston, 2011). Leverage in this study was confirmed proxied through Debt to Equity Ratio (DER). This ratio shows the comparison between financing and funding through debt and funding through equity.

This study not only wants to see the effect of ROE on Corporate Values, but in this study dividends and leverage are used as moderating variables between ROE and Firm Value. Research conducted by Mahendra (2011) resulted in dividend policy not being able to significantly moderate the effect of ROE on firm value. Puspitaningtyas (2017) dividend policy is not able to moderate the effect of profitability on company value. In contrast to the research of Mahendra (2011) and Puspitaningtyas (2017), Martini and Riharjo

(2014) research produced a dividend policy that could moderate the relationship between profitability and firm value. Raharja (2016) dividend policy is able to significantly moderate the profitability of stock prices. Elvira (2014) Dividend policy as a moderating variable can significantly influence the relationship between profitability and corporate value. Mulyati (2017) produced DPR with a positive and significant effect in moderating the effect of ROA on stock prices, strengthened also by the research of Burhanudin and Nuraini (2018) dividend policy capable of significantly moderating the effect of profitability on firm value.

Research conducted by Tamonsang and Arochman (2015) resulted in a capital structure that could not act as a moderating variable between profitability and stock prices. In line with Mulyati's (2017) study, DER had no effect in moderating the effect of ROA on stock prices, also confirmed by Berlian research (2018) capital structure does not moderate profitability against firm value. In contrast to the results of Tamonsang and Arochman (2015), Mulyati (2017) and Berliani (2018), the research conducted by Anggraini (2017) resulted in DER being able to moderate the relationship of profitability to firm value. The gap between the results of previous research motivates researchers to further examine the effect of Return on Equity on firm value with dividend and leverage as moderating variables.

Researchers chose manufacturing companies listed on the Indonesia Stock Exchange as the object of research because manufacturing companies are large-scale companies when compared with other companies so that they can make comparisons between one company and another company. Manufacturing companies also have stocks that are more in demand by investors and are resistant to the economic crisis. This is because most manufacturing products are still needed, so it is very unlikely to lose. (Devi, 2016).

An initial description of the condition of manufacturing companies listed on the Indonesia Stock Exchange in the period 2013-2017. The following is presented by the average data of company values proxied by Tobin's Q with ROE, DER and DPR with manufacturing companies which were sampled in the 2013-2017 study.

Table 1.1: Average DER Data, DPR, ROE in Manufacturing Companies for the 2013-2017 Period.

Year	Variable			
	ROE (%)	DPR (%)	DER (%)	Tobin's Q
2013	37,59	59.59	85.38	1.34889645
2014	38,4	41.14	102.1	1.469416
2015	27,78	59.37	84.06	1.268708
2016	31,09	100.2	82.71	1.244405
2017	31,35	87.21	78.78	1.32481
Average	33,24	69.49	86.6	1.331247095

Based on table 1.1. the movement of the average value of ROE, DPR, DER and Tobin's Q has fluctuated. In the data every year the tendency of ROE to increase, this is caused by the company's performance has increased. DPR tends to increase, this identifies that investors consider the company to have good prospects for the future because the company is

able to increase its profitability and is able to distribute dividends. The tendency of increasing ROE is in contrast to DER which tends to decrease; this shows an efficient level of funding decisions made by companies in minimizing future risks. In line with DER, the value of the company proxied with Tobin's Q has decreased in line with the decline of the DER value, indicating that the decline in DER can affect the value of the company proxied with Tobin's Q.

Based on the phenomenon and research gap, the researcher intends to conduct research with the title "The Effect of Return on Equity (ROE) on Corporate Values with Dividends and Leverage as Moderating Variables".

2. Literature Review

2.1. Trade Off Theory

Trade Off Theory assumes that the company's capital structure is the result of trade off of tax profits by using debt with costs that will arise as a result of using the debt (Hartono, 2013). The essence of the trade off theory in capital structure is to balance the benefits and sacrifices that arise as a result of using debt. If the benefits are greater than it is permissible to use additional debt, but if the use of debt is far greater then the additional debt is not allowed.

2.2. Pecking Order Theory

This theory states that there is a kind of order (pecking order) for the company in using capital. The theory also explains that companies prioritize internal equity funding (use of retained earnings) rather than external equity funding (issuing new shares).

2.3. Agency Theory

In agency theory the capital structure is structured to reduce conflict between various interest groups. Shareholder conflict with managers is actually the concept of free cash flow. But there is a tendency that managers want to hold resources so they have control over these resources. Debt can be considered as a way to reduce agency conflict related to free cash flow. If the company uses debt, the manager will be forced to issue cash from the company to pay interest.

2.4. Signal Theory

This theory explains that companies that increase debt can be seen as companies that are confident in the prospects of the company to come. Increased debt also means outsiders about the company's ability to pay its obligations in the future or low business risks, so that additional debt will provide a positive signal (Brigham and Houston, 2001).

2.5. The value of the company

Company value is a certain condition that has been achieved by a company as an illustration of public trust in the company after going through an activity process for several years, that is, since the company was established until now. Some

indicators for measuring company value include: Price earnings ratio, Tobin's Q and Price book value.

2.6. Investation decision

According to Moeljadi (2006: 121) An investment decision is a decision to release funds now with the hope of being able to generate future flows of funds with an amount greater than the funds released at the time of the initial investment.

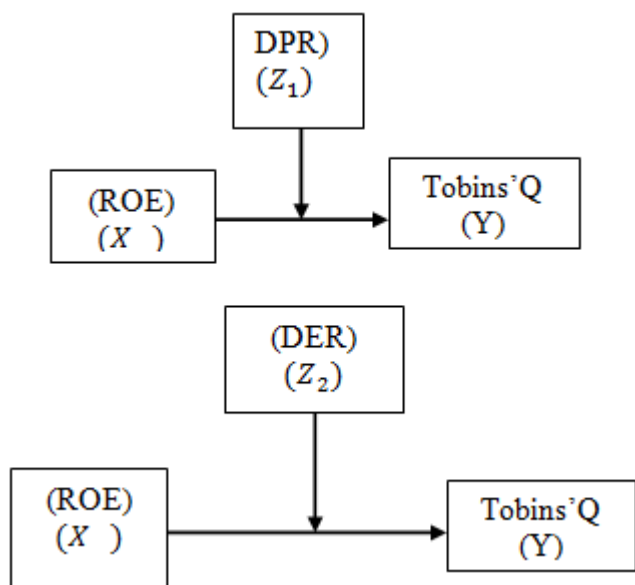
2.7. Funding decision

According to Moeljadi (2006: 10-14) Decision funding is related to the selection of the company's funding sources, known as company spending. Funding can be done by using various funding sources, both from outside and within the company.

2.8. Dividend policy

Dividend policy is a decision to distribute profits to shareholders. This policy relates to determining how much profit will be shared with shareholders in the form of dividends and how many parts will be held in the company (Indrastanti and Eny, 2011: 101).

2.9. Conceptual Framework



2.10. Hypothesis

The hypothesis proposed in this study are as follows:

- H1: It is assumed that there is an effect of ROE that has a positive and significant effect on Company Value.
- H2: It is suspected that there is a high influence of the DPR to strengthen the positive influence of ROE on firm value.
- H3: It is suspected that there is a high DER influence reinforcing the positive effect of ROE on Company Value.

3. Research Method

3.1 Types of research

The type of research used in this study is causal associative research is a study that aims to determine the relationship between two or more variables that are the cause of cause (Sugiyono, 2006: 36).

3.2 Operational Definition of Variables

1. Company Value (Y)

The value of the company in this study is stated by Tobin's Q. If the value of Tobin's Q is more than one company, then the market value of the company is greater than the assets of the listed company. Tobin's Q is expressed in units of times

$$\text{Tobin's Q} = \frac{\text{MVS} + \text{DEBT}}{\text{TA}}$$

2. Return on Equity (ROE). (X)

ROE compares net income after tax with total equity formulated as follows:

$$\text{Return on Equity} = \frac{\text{Net Income}}{\text{Total Ekuitas}} \times 100$$

3. Dividend Payout Ratio (DPR) (Z1)

DPR is the percentage of income that will be paid to shareholders as cash dividends formulated by:

$$\text{Dividend Payout Ratio} = \frac{\text{Dividend Per Share}}{\text{Earning Per Share}} \times 100\%$$

4. Debt to Equity Ratio (DER) (Z2)

Debt to Equity Ratio (DER), where DER shows the comparison between total debt and equity formulated by:

$$\text{Debt To Equity Ratio} = \frac{\text{Total Hutang}}{\text{Total Ekuitas}} \times 100\%$$

3.3 Data Analysis Procedure

The data analysis procedure, namely **Descriptive Statistics Analysis** aims to provide information about the main research characteristics, Conducting **Classical Assumption Tests** used to determine whether heteroscedasticity exists, and to detect autocorrelation, **Moderated Regression Analysis (MRA)** is a regression approach. Linear multiple in the regression equation contains the element of intersection. This MRA analysis is not only to see whether there is an influence of independent variables on non-independent variables also to see whether the calculated moderation variables in the model can increase the influence of independent variables on non-independent variables or vice versa. **Hypothesis testing and**

discussion. The F test is a model feasibility test that must be done in linear regression analysis. The F test is used to assess the feasibility of the formed regression model. Determination Coefficient Test (R²) aims to measure how far the ability of the model to explain the variation of the dependent variable. The t test is conducted to find out whether each of the independent variables affects the dependent variable significantly.

4. Data Analysis and Result

4.1 Moderated Regression Analysis (MRA)

The next data processing technique is by using Moderated Regression Analysis (MRA). is a special linear multiple regression approach in which the regression equation contains an intersection element. To use MRA with a predictor variable, we must compare three regression equations to determine the type of moderator variable. The three equations are:

- Effect of ROE on Company Values (Equation 1)

$$Y = \alpha + \beta_1 X + e$$

- Effect of ROE on Company Values with Parliament as moderating (Equation 2)

$$Y = \alpha + \beta_1 X + \beta_2 Z_1 + e$$

$$Y = \alpha + \beta_1 X + \beta_2 Z_1 + \beta_3 X Z_1 + e$$

- Effect of ROE on Company Values with DER as moderating (Equation 3)

$$Y = \alpha + \beta_1 X + \beta_2 Z_2 + e$$

$$Y = \alpha + \beta_1 X + \beta_2 Z_2 + \beta_3 X Z_2 + e$$

1. F Test

The F test is a model feasibility test that must be done in linear regression analysis. The F test is used to assess the feasibility of the formed regression model. If a significant value is less than alpha (5%), the independent variable can be used to predict the dependent variable. In a simple linear regression analysis, the significant F test is significant with the t test (Ghozali, 2005).

Table 4.1 F Statistical Test Results Equation 1
ROE on Company Value

ANOVA ^a					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	33.238	1	33.238	67.984	.000 ^b
Residual	33.246	68	.489		
Total	66.484	69			
a. Dependent Variable: Tobit's Q					
b. Predictors: (Constant), Return on Equity					

Based on the results of the ANOVA test or F test in equation 1, Fcount is 67.984 with a significance level of 0.000 because the significance level is far below 0.05, so it can be concluded

that the ROE variable has an influence on the firm's value variable.

Table 4.9 Statistical Test Results for Equation 2 Model 1
ROE and DPR against Company Values

ANOVA ^a					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	33.246	2	16.623	33.507	.000 ^b
Residual	33.238	67	.496		
Total	66.484	69			
a. Dependent Variable: Tobit's Q					
b. Predictors: (Constant), Dividend Payout Ratio, Return on Equity					

Based on the results of the ANOVA test or F test in equation 2 model 1, Fcount is 33.507 with a significance level of 0.000 because the significance level is much lower than 0.05, so it can be concluded that the ROE and DPR variables have an influence on firm value variables.

Table 4.10 Statistical Test Results for Equation 2 Model 2
DPR as Moderating ROE to Company Values

ANOVA ^a					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	33.249	3	11.083	22.009	.000 ^b
Residual	33.235	66	.504		
Total	66.484	69			
a. Dependent Variable: Tobit's Q					
b. Predictors: (Constant), ROExDPR, Dividend Payout Ratio, Return on Equity					

The test results in equation 2 model 2 get Fcount of 22,009 with a significance level of 0,000 because the significance level is much lower than 0.05, so it can be concluded that the ROE and DPR variables as moderating variables have an influence on the firm's value variable.

Table 4.11 F Statistical Test Results Equation 3 Model 1
ROE and DER to Company Value

ANOVA ^a					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	33.304	2	16.652	33.625	.000 ^b
Residual	33.180	67	.495		
Total	66.484	69			
a. Dependent Variable: Tobit's Q					
b. Predictors: (Constant), Debt Equity Ratio, Return on Equity					

Based on the results of the ANOVA test or F test in equation 3 of model 1, Fcount is 33,625 with a significance level of 0,000 because the significance level is much lower than 0.05, so it can be concluded that the ROE and DER variables have an influence on the firm value variable.

Table 4.12 F Statistic Test Results Equation 3 Model 2 DER as Moderating ROE to Niai Company

ANOVA ^a						
Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	37.052	3	12.351	27.695	.000 ^b
	Residual	29.432	66	.446		
	Total	66.484	69			
a. Dependent Variable: Tobi's Q						
b. Predictors: (Constant), ROExDER, Debt Equity Ratio, <i>Return on Equity</i>						

The 3 model 2 equation test results which get Fcount is 27,695 with a significance level of 0,000 because the significance level is much lower than 0.05, so it can be concluded that the ROE and DER variables as moderating variables have an influence on the firm value variable. This means that equation 1, equation 2 and equation 3 can be used as a measure of company value.

2. Determination Coefficient Analysis (R²)

The coefficient of determination is a tool used to measure the ability of independent variables to explain the value of the dependent variable. The magnitude of the coefficient of determination ranges from 0 to 1. The closer the zero coefficient of determination is to a regression equation, the smaller the influence of all independent variables on the dependent variable and vice versa.

Table 4.13 Results of the Analysis of the Coefficient of Determination of Equation 1

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.707 ^a	.500	.493	.69922	2.222
a. Predictors: (Constant), <i>Return on Equity</i>					
b. Dependent Variable: Tobi's Q					

Based on the table above there is a coefficient of determination (R²) in equation 1, amounting to 0.500 is the coefficient of determination (R²) the result of equation 1.

Table 4.14 Results of Analysis of the Determination Coefficient of Equation 2 Model 1 ROE and DPR Against Company Values

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.707 ^a	.500	.485	.70434
a. Predictors: (Constant), Dividend Payout Ratio, <i>Return on Equity</i>				
b. Dependent Variable: Tobi's Q				

Based on the above table there is a coefficient of determination (R²) in equation 2 model 1, amounting to 0.500 is the coefficient of determination (R²) the main effect of the results of the equation of ROE and DPR on Firm Value.

Table 4.15 Results of Analysis of the Determination Coefficient of Equation 2 Model 2 DPR as Moderating ROE to Niai Company

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.707 ^a	.500	.477	.70962
a. Predictors: (Constant), ROExDPR, Dividend Payout Ratio, <i>Return on Equity</i>				
b. Dependent Variable: Tobi's Q				

Based on the coefficient of determination (R²) of the House of Representatives as a moderating variable, the results are 0.500 as a moderating effect of the DPR and the coefficient of determination (R²) in equation 2 model 1 which is the main effect in equation 2 gets a result of 0.500. This shows that the DPR variable cannot be used as moderation.

Table 4.16 Results of Analysis of the Determination Coefficient of Equation 3 Model 1 ROE and DER Against Company Value

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.708 ^a	.501	.486	.70372
a. Predictors: (Constant), Debt Equity Ratio, <i>Return on Equity</i>				
b. Dependent Variable: Tobi's Q				

Based on the above table there is a coefficient of determination (R²) in equation 3 model 1, amounting to 0.501 is the coefficient of determination (R²) as the main effect of the results of the ROE and DER equations for Firm Value.

Table 4.17 Results of Analysis of the Determination Coefficient of Equation 3 Model 2 DER as Moderating ROE to Niai Company

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.747 ^a	.557	.537	.66779
a. Predictors: (Constant), ROExDER, Debt Equity Ratio, <i>Return on Equity</i>				
b. Dependent Variable: Tobi's Q				

Based on the coefficient of determination (R²) DER as a moderating variable get a result of 0.557 as a moderating effect of DER and the coefficient of determination (R²) in equation 3 model 1 which is the main effect of 0.501. this proves that the DER variable can be used as a moderator, this is because the coefficient of determination (R²) the DER moderation effect is greater than the value of the main effect, the moderation created is the quasi moderator variable. This is in accordance with the criteria, if Variable Z is a quasi moderator variable if the main effect of equation 1, the main effect of equation 3 and the moderating effect of equation 3 must differ from each other or ($\beta_2 \neq \beta_3 \neq 0$).

$$\begin{aligned}
 R^2_{\text{Total Moderasi}} &= 1 - (1 - R^2_2)(1 - R^2_3) \\
 &= 1 - (1 - 0.500)(1 - 0.557) \\
 &= 1 - (0.500)(0.443) \\
 &= 1 - 0.2215 \\
 &= 0.7785 \text{ or } 77.85\%
 \end{aligned}$$

The value of the coefficient of determination (R^2) on the moderating effect is 0.7785 or 77.85%, this indicates that the independent variables and moderating variables are able to explain the dependent variable by 77.85% while the remaining 22.15% is influenced by other variables. This shows that the independent variables and moderating variables can be said to be good because they are greater than 50%.

3. Partial Test (t Test)

This test is conducted to find out whether each of the independent variables affects the dependent variable significantly. The way to do the t test is to compare t count with t table at 5% confidence level. This test uses the criteria $H_0: \beta = 0$ meaning that there is no significant influence between the independent variables and the dependent variable. $H_0: \beta \neq 0$ means that there is a significant influence between the independent variables on the dependent variable. If t count is smaller than t table then H_0 is accepted and H_1 is rejected. And vice versa, if t count is greater t table then H_0 is rejected and H_1 is accepted (Ghozali, 2005).

Table 4.18 Results of the t-test

	Variable	t	sig
Equation 1	Return on equity	8.245	0.000
Equation 2 (1)	Return on equity	8.156	0.000
	Dividend Payout Ratio	-0.124	0.902
(2)	Return on equity	3.803	0.000
	Dividend Payout Ratio	-0.055	0.956
	ROExDPR	-0.081	0.935
Equation 3 (1)	Return on equity	5.947	0.000
	Debt Equity Ratio	0.365	0.716
(2)	Return on equity	0.445	0.658
	Debt Equity Ratio	-1.705	0.093
	ROExDER	2.899	0.005

Based on the results of the t statistical test in table 4.19, it can be explained as follows:

1) Testing of Hypothesis 1:

It is assumed that ROE has a positive and significant effect on Company Value.

At the t test value has a value of tcount = 8.245, with a significant level of 0.000 which is below 0.05, which means that the ROE variable has a positive and significant effect on firm value, so the first hypothesis proposed is accepted.

2) Hypothesis Testing 2:

It is suspected that the high DPR strengthens the positive influence of ROE on company value.

At the t-test value found the value of t count = -0.081, with a significant level of 0.935 which is above 0.05, which means that the interaction between ROE and DPR has a negative and not significant effect on firm value, so the second hypothesis which states that the DPR is able to strengthen the positive effect of ROE company rejected.

3) Testing of Hypothesis 3:

It is suspected that high DER strengthens the positive effect of ROE on Company Values.

On the test value found the value of tcount = 2.899, with a significant level of 0.005 which is below 0.05 which means that the interaction between ROE and DER has a positive and significant effect on firm value, so the third hypothesis states that DER is able to strengthen the positive effect of ROE on accepted firm value.

4.2 The Result

Based on the calculation of multiple linear regression analysis the effect of ROE on firm value is obtained, the DPR cannot moderate the effect of ROE on firm value and DER moderates the effect of ROE on firm value. The results of the research on each variable are described as follows:

1. Effect of ROE on Company Values

The results of this study indicate that the ROE variable has a positive and significant effect on firm value. This means that the higher the profit value obtained, the higher the value of the company. Because high profits will give an indication of good company prospects so that it can trigger investors to increase the demand for shares. Increasing demand for shares will cause the value of the company to increase. If the profitability of the company is good then the stakeholders consisting of creditors, suppliers, and investors will also see the extent to which the company can generate profits from sales and investment of the company.

The high level of ROE can also increase investor confidence in the company, aside from high ROE, this level of trust can be assumed from the share of manufacturing companies that are more in demand by investors because it is assumed to be resistant to the economic crisis. This is because most manufacturing products are still needed, so it is very unlikely to lose. (Devi, 2016).

This research is in accordance with the concept of signaling theory, where high profitability shows good corporate prospects so that investors will respond positively to these signals so that the value of the company will increase (Sujoko & Soebintoro, 2007). Based on the perspective of signal theory, that with signal theory explains why companies have the urge to provide financial statement information to external parties. Lack of information for outsiders about the company causes them to protect themselves by providing low prices for the company. Companies can increase company value by reducing information asymmetry. One way to reduce information asymmetry is to provide information available to outsiders, one of which is reliable cash flow information and will reduce uncertainty about the company's prospects in the future.

This research supports the research conducted by Rinanti (2009), Mahendra, et al (2012) Dwi and Wijaya (2013) and Amirullah (2018) which produce ROE which has a significant positive effect on firm value, so hypothesis 1 (H_1) states that

ROE has an effect positive and significant value of the company received.

2. The Effect of ROE on Company Values with the DPR As a moderation

The results of this study indicate that the DPR variable is not able to act as a moderator in the effect of ROE on firm value. That is, that the existence of a dividend policy has no role in the influence of ROE on company value. In other words, the existence of a dividend policy cannot strengthen the effect of ROE on company value.

The DPR, which cannot strengthen the relationship between ROE and company value, shows that information on dividend payment policies does not affect the increase in company value. ROE is able to provide a positive signal to investors on the value of the company, but the dividend policy is not able to strengthen the investor's assessment of the company's shares when there is an increase in profitability.

Based on the perspective of irrelevance Dividend theory, which was fostered by Franco Modigliani and Merton Miller (MM), that the company's dividend policy does not affect stock market prices or firm value, but is determined by pre-tax net income (EBIT). MM argues that company value is determined by the company's ability to generate earnings and business risks, while how to divide revenue flows into dividends and retained earnings does not affect company value. So according to this theory there is no optimal dividend policy. Decline in stock market prices because external funding is equal to the increase in stock prices due to dividend payments. Thus shareholders are said to be indifferent between dividends and retained earnings.

Based on the theoretical perspective, the announcement signal of a change in cash dividend to be higher has an information content which results in a reaction to the stock price. Investors using the House as a signal about the company's future prospects whether it will be profitable or not. In the event of an increase in the DPR, it will be considered a positive signal, which means that the company has good prospects, resulting in a positive stock price reaction. Conversely, if there is a decrease in dividends it will be considered as a negative signal which means the company has a not-so-good prospect, giving rise to a negative stock price reaction.

This study supports the research conducted by Mahendra (2011) and Puspitaningtyas (2017) which resulted in a dividend policy not able to moderate the effect of profitability on firm value, so that hypothesis 2 (H2) which states that a high DPR strengthens the positive effect of ROE on rejected corporate values.

3. Effect of ROE on Company Values with DER as moderating

The results of this study indicate that the DER variable is able to act as a moderator in strengthening the effect of ROE on firm value, because the coefficient of determination (R^2) moderating effect of DER is greater than the value of the

main effect, moderation is a quasi moderator variable. This is in accordance with the criteria, if Variable Z is a quasi moderator variable if the main effect of equation 1, the main effect of equation 3 and the moderating effect of equation 3 must differ from each other or ($\beta_2 \neq \beta_3 \neq 0$). That is, that the presence of DER has a role in the influence of ROE on firm value. In other words, the presence of DER can strengthen the effect of ROE on firm value.

This identifies that investors pay attention to the level of corporate debt usage when investing, so that the high or low DER influences investors' decisions in investing in the capital market during the study period. Referring to the fluctuating DER, it tends to decrease, in line with the company's value. It can be assumed that investors capture signals from the DER movement in the manufacturing companies listed on the IDX for the period 2013-2017.

The results of this study are in accordance with the Trade-off Theory where the essence of the trade off theory in capital structure is to balance the benefits and sacrifices that arise as a result of using debt. If the benefits are greater then it is permissible to use additional debt, but if the use of debt is far greater than the additional debt is not allowed, so that the increase in debt made by the company no longer affects the value of the company. The trade off theory explains that before reaching the maximum point, the debt will be cheaper than the sale of shares because there is a tax shield. But after reaching the maximum point, the use of debt by the company becomes unattractive because the company must bear agency costs, interest costs, and bankruptcy costs.

This study supports the research conducted by Anggraini (2017) to produce DER able to moderate the relationship of profitability to firm value, so that hypothesis 3 (H3) which states that high DER strengthens the positive effect of ROE on accepted firm value

5. Conclusions

Based on the results of the analysis and discussion previously described, the following conclusions can be drawn:

1. ROE variables have a positive and significant effect on firm value. This means that the higher the profit value obtained, the higher the value of the company. Because high profits will give an indication of good company prospects so that it can trigger investors to increase the demand for shares. Increasing demand for shares will cause the value of the company to increase. If the profitability of the company is good then the stakeholders consisting of creditors, suppliers, and investors will also see the extent to which the company can generate profits from sales and investment of the company.
2. The DPR variable is not able to act as a moderator in the effect of ROE on firm value. That is, that the existence of a dividend policy has no role in the influence of ROE on company value.

3. DER variable is able to act as a moderator in strengthening the effect of ROE on firm value, because the coefficient of determination (R^2) moderating effect of DER is greater than the value of the main effect, moderation created is a quasi moderator variable. This is in accordance with the criteria, if Variable Z is a quasi moderator variable if the main effect of equation 1, the main effect of equation 3 and the moderating effect of equation 3 must differ from each other or ($\beta_2 \neq \beta_3 \neq 0$). That is, that the presence of DER has a role in the influence of ROE on firm value. In other words, the presence of DER can strengthen the effect of ROE on firm value.

6. Suggestions

1. For investors, It is expected that the results of this study can provide information as a consideration and discordant thought in specific decision making related to the value of the company. The results of this study are expected to be useful as a consideration in making decisions in conducting investments.
2. For Companies, It is expected that the results of this study can help companies to consider better decision making in increasing Return on Equity (ROE), and pay attention to funding decisions and dividend policies in order to attract investors so that they can increase company value.
3. For the next researcher, it can be used as a reference when conducting research on the effect of ROE on firm value with DPR and DER as a moderating variable so that it can develop this research using different variables as independent or dependent or other moderating variables.

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