

ABSTRACT

The firm value is very important for the company because the firm value can be an investor's perception of the level of success of the company which is associated with the value of the stock price. The increase in the firm value will be followed by an increase in share prices which will reflect the prosperity of shareholders. The firm value can be a view for investors on the level of success of managers in managing company resources.

This study aimed to determine the effect of profitability (ROE), leverage (DAR), and board diversity on firm value (PBV) in pharmaceutical sub-sector manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2014-2019 period. This study uses data on financial statements listed on the Indonesia Stock Exchange (IDX).

Manufacturing company in the pharmaceutical sub-sector for the period 2014-2019 was the population used in the study. The sample used in this study consisted of 7 companies with a research period of 6 years, so that purposive sampling obtained 42 data samples. The data analysis method in this study was panel data regression analysis.

The results showed that there was a simultaneous influence between the variables of profitability, leverage and board diversity on firm value. Profitability and diversity of the board of directors do not had a partial effect on firm value, while leverage had a partial positive effect on firm value.

Based on the research result, companies were advised to pay more attention to increasing the firm value by considering leverage. Meanwhile, investors were expected to invest in companies that have a high leverage ratio. Because high leverage reflects high firm value.

Keywords: board diversity, firm value, leverage, profitability.