

## The Impact of COVID-19 and company performance: Data from Indonesian high dividend issuer

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Received: 03-04-2022 | Revision: 17-09-2022 | Accepted: 01-11-2022

DOI: <https://doi.org/10.22219/jiko.v7i03.18670>

### Abstract

COVID-19 hit the world economy three times worse than the 2008 financial crisis. This pandemic has hurt the profitability of most corporations around the world, including Indonesia. However, several companies have managed to increase profitability amid the covid 19 pandemic. This study uses financial ratios related to profitability on the top 20 stocks with the Highest Dividend in the Indonesia Stock Exchange for the December 2019 to December 2020 period. Through Tobin's Q method, this study finds that, in general, Covid-19 decreases the performance of firms, but the firm in the health sector tends to increase.

**Keywords:** Covid-19; Tobin's Q; High Dividend 20

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## **Introduction**

The company performance assessment is essential in determining the company's management system's propriety or proving that the company is in good health. Company performance assessment can be used to detect the company's weaknesses and become a part of company performance evaluation. This company performance assessment measures Return on Investments (ROI), Return on Equity (ROE), and Profit Margin. However, these financial measures are insufficient to guide companies' development in the current information age, despite the investments made in customers, suppliers, workers, processes, technology, and innovation (Nugrahayu, 2015). Company performance is defined as the company's ability to achieve its goals through efficient and effective use of resources. It describes how far a company has earned its results when compared to previous performance and the performance of other organizations, as well as to what extent it has achieved the goals and targets set in advance by a company. Company. (Sudiyatno, 2010).

Dividends are profits given by companies to investors as a form of return on funds that have been invested or invested by investors in the company. In some cases, companies also may not distribute dividends even though they earn profits; if, in that case, the company wants to use company profits to expand or develop future businesses or projects that are currently running, then the gains are not distributed to investors. Instead, it will be included in the retained earnings statement (Yuniati, 2016). The Covid -19 pandemic in Indonesia and the rest of the world significantly influenced the company's sustainability.

The global impact caused by this virus has also resulted in many companies going out of business, no exception in Indonesia. Many large companies have started to experience a decline in revenue due to the pandemic (Rahmadia, 2020). Investment has also decreased because investors are not sure about the company's performance, which is considered unable to provide high returns on the investment made by investors.

Moreover, company value is a company's market value and equity, which will impact investors' perceptions in choosing to invest in a company. This company value is also an important thing that investors must pay attention to; investors will be willing to pay a high price for the company if the company's performance is good in the eyes of the public (Kholis, 2018). The index is one of the benchmarks to measure a company's performance. Moreover, company value is a company's market value and equity, which will impact investors' perceptions in choosing to invest in a company. This company value is also an important thing that investors must pay attention to; investors will be willing to pay a high price for the company if the company's performance is good in the eyes of the public (Kholis, 2018).

One of the Indonesia Stock Exchange indexes is the High Dividend 20 Index. The High Dividend 20 Index is an index that measures the price performance of 20 stocks that have distributed cash dividends over the past three years and have high dividend yields. (Adiwardoyo, 2020). Based on the above background, the formulation of the problem in this study is how are the results of the analysis of company performance, dividend distribution, and company value using Tobin's Q indicator during the Covid-19 pandemic on the High Dividend Index 20. This study contributes to determining the results of the analysis of company performance during the Covid-19 pandemic on the High Dividend 20 Index.

## Method

This quantitative study uses secondary data from an annual financial report published by the Indonesia Stock Exchange from November 2019-December 2020. The population in this study were all companies included in the High Dividend Index 20. Based on our knowledge, no literature measures company performance amid covid 19 pandemic using High Dividend 20 and Tobin's Q method, so this study will close the gap to enrich the literature about company performance amid Covid19 period. Furthermore, the Tobin Q also considers the replacement value, the cost necessary to replace the business or market.

The sample is selected by purposive sampling before selection is determined first. The limitations of the sample to be taken include the following:

1. The company is listed on the Indonesia Stock Exchange in the High Dividend Index 20 for two periods in 2019-2020
2. The company publishes financial reports regularly for the period 2019-2020
3. The company distributes dividends regularly between 2019-2020

The data collected is secondary data from the Bank Indonesia website, Indonesia Stock Exchange Corner and sites related to the High Dividend Index 20 during 2019-2020. Some indicators used in seeing the rate of return on equity mutual funds are as follows:

- a. Net Profit Margin is the ratio of profitability to assess the percentage of net income after deducting taxes. The higher the net profit margin, the better the company's operations. Net profit margin can be calculated using the following formula:

*Net Profit Margin: Net profit after Tax / Sales*

- b. Asset Returns Ratio (ROA), which is the rate of return on assets to assess the profits a company receives about resources or total support so that the efficiency of the company in managing its assets can be seen from the percentage of this ratio. The following formula can calculate ROA:

*ROA: Net income / Total Asset*

- c. Earnings per share is a financial ratio that measures the net income earned per share outstanding. This EPS represents the amount of money the shareholders will receive for each share they own when sharing the profits from the outstanding shares at the end of the year. The formula for finding EPS is as follows:

*EPS: (Net income - preferred dividend) / number of shares outstanding*

- d. Dividend Payout Ratio is the percentage of dividends on the company's net income. Large and well-established companies usually tend to have a large DPR; the DPR formula is as follows:

*DPR: Total dividends / net income*

- e. Analysis of Firm Value with Tobin's Q

$$Q = \frac{(EMV + D)}{(EBV + D)}$$

Where Q is Tobin Q Ratio; EMV is Equity Market Value; EBV is Equity Book Value; and D is Total Debt

EMV is obtained from the multiplication of the closing share price at the end of the year (closing price) with the number of shares outstanding at the end of the year. In contrast, EBV is obtained from the difference between the company's total assets and total liabilities. In addition to using fundamental analysis, which compares financial performance at the end of 2019 with 2020, both from the first quarter to the fourth quarter originating from the company, this study also uses technical analysis to see the market development of companies that are included in the High Dividend Index 20 using analysis tools chartnexus to find out the extent to which companies that are included in the High Dividend Index 20 have the fastest recovery period from before the pandemic, during the pandemic to the present.

### **Empirical Result**

After researching all companies that are members of the High Dividend 20 Index, the results are that there are only 17 companies that meet the sample criteria. Three companies do not meet the requirements due to incomplete financial reports, namely TLKM, TOWR, and CPIN. To analyze the data from this study, we entered financial statement data into the formula determined by the research method. The results of the analysis are as follows:

From the data analysis for ADRO companies, financial performance results for the level of profitability represented by the NPM and ROA ratios from 2019 to 2020 experienced an increase in earnings management. The EPS ratio experienced a decline before the pandemic, namely by 0.008, and the DPR has increased from 2019 to 2020, which means that the company's dividends are still reasonable despite experiencing a pandemic. For Tobin's Q value, the company ADRO has decreased in the company's valuation by 1. Still, Tobin's Q value for this company is in good condition because the value is above 1.

ASII obtained financial performance results for the level of profitability represented by the NPM ratio from 2019 to 2020; the value is fixed, namely 0.09. The ROA value has decreased by 0.01. The EPS ratio decreased before the pandemic, from a value of 536 to 399, and the DPR also experienced a drastic decrease from 2019 to 2020 by 33%; this is due to the pandemic condition that the purchase of motorized vehicles has also decreased which resulted in a decline in the valuation of the company is also of stagnant value.

Banking When the pandemic was not an institution that had a significant impact, this could be seen from the calculation of the performance of the Bank Central Asia company. The profitability ratio represented by NPM and ROA in general for NPM was fixed, while for ROA, it decreased by 0.01. On the other hand, the dividend ratio and earnings per share increased even though profit decreased slightly. The company's value is also in good shape; this shows that the company remains committed to being able to distribute dividends to the company's shareholders smoothly.

The GGRM negatively felt the impact of the pandemic. The company's sales level in the last year continued to decline, even approaching a loss. In the previous year, they could not distribute dividends to investors. HMSP, which is in the same cigarette industry as GGRM, is in a better condition; even though sales have decreased, the ROA level has increased even though it is only 0.01. The dividend ratio in 2020 HMSP has no result, which means they did not distribute to shareholders in 2020.

The food and beverage sector was significantly and positively affected by the pandemic; however, in terms of dividend distribution, its value has dropped dramatically for the value of NPM and overall PT. Indofood Sukses Makmur Tbk has increased in terms of company performance. Still, in the dividend payout in 2020, the company has not distributed it to shareholders, even though in 2019, the dividend distribution value was quite significant. Coal mining companies are increasing due to the pandemic because they are also directly affected. The quarantine most probably drove the energy consumption up; thus, demand for coal also increased; this is evident from 2019 the number of company sales decreased dramatically, and the value of return on assets also

decreased. However, in terms of dividend distribution, this company continues to distribute to shareholders, increasing by 16% from 2019.

When the Covid-19 virus pandemic occurred, this drug company was one of the fastest-growing companies. Many people buy medicines for their daily needs because of the PSBB. The net profit margin value also increased by 0.1, and KLBF's earnings per share also increased, but in terms of dividend policy, the amount distributed drastically decreased by 27% from 2019. Retail companies such as the LPPF were negatively affected by the pandemic in 2019. The need for fashion is no longer a top priority for the community, but the main thing is food and beverage and the community's basic needs every day; this can be seen from the decrease in the amount of profit in the LPPF, and it can even be said to have suffered quite a significant loss. Hence, there is a discourse that many retail companies have started to be closed due to bankruptcy. In 2019-2020 the company also did not distribute dividends.

PGAS is also similar to a retail company. The decreased sales volume from 2019 to 2020 has resulted in the company's performance being also of low value. Dividend distribution cannot be done by companies in 2020 even though previous dividends were still in the position of 107.16% and could be distributed to shareholders. PTBA is one of the companies that is also affected by the pandemic but not in negative numbers. The NPM ratio has decreased by 0.5 since 2019. Earnings per share have also reduced to 140. However, the company's performance appraisal has generally increased even though dividend distribution has decreased to 56% since 2019.

As with other mining companies, UNTR also experienced a decline in the value of its net income and rate of return on equity. However, the company's assessment using Tobin's Q, this company is in a pretty good performance condition, and the increase in dividends has increased by 1% compared to 2019. PT. Unilever was also affected by the Covid-19 pandemic, but there were not too many changes, only in the range of 0.1. However, the company's assessment has decreased since 2019, which resulted in a decrease in dividend distribution by 9%.

## **Conclusions**

Based on the results of data analysis that has been carried out to assess the company's performance and dividend policy using Tobin Q analysis, it can be concluded that of all companies listed in High Dividend 20, 17 companies meet the sample criteria with the result that for the banking sector their financial performance has increased, For the industrial company sector, three sectors have been affected by the Covid-19 outbreak, namely the health sector, the telecommunications sector, the food, and beverage sector. In addition, some companies were removed from the index, namely GGRM and LPPF, were



removed from the High Dividend 20 index because the performance of the two companies had decreased in the last three years.

The impact caused by the Covid-19 pandemic has a positive effect, and some have a negative impact. One sector of the company that has a positive result is the health sector; a pandemic can increase the profits and financial performance of companies in this sector. One of the companies that experienced a negative impact was the retail sector, such as LPPF, even threatened with business bankruptcy because the pandemic changed people's lifestyles to shop using online more than shopping offline.

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