CHAPTER III
RESEARCH METHOD

3.1 Data Source

This study uses secondary data is research data obtained indirectly, but through intermediary media. The secondary data is the company's annual report, the annual report is used to determine the financial performance of the company and to know the disclosure of managerial ownership that has been done by the manufacturing company. These data are obtained from Indonesia Stock Exchange.

3.2 Data Collection Method

The method used in this study is the method of documentation, which is to study the records of the required company contained in the company's annual report into a research sample such as information disclosure ROA, DER, DIVIDEND RATIO, and other necessary data.

3.3 Population and Sample

3.3.1 Population

The population is a group of people, events or anything that has certain characteristics. The population used in this study is all companies included in the manufacturing industry groups that have been listed on the Stock Exchange. The choice of an industrial group is manufacturing industry as a population intended to avoid bias caused by industrial effects, and besides that the manufacturing sector has the largest number of companies compared to other sectors.

3.3.2 Sample

The sample is part of the population used as a research object. The sample is determined based on purposive sampling which means the selection of the sample based on certain criteria. The criteria of manufacturing companies that made the sample include:

a. Manufacturing companies listed on the Indonesian securities exchange period 2014-2016
b. Manufacturing companies publish financial statements with rupiah currency period 2014-2016

c. Entrepreneurship with any data required
d. did not suffer loser in those 3 years
e. Publish financial statement for 3 years in a row

3.4 Research Variables and Operational Definition of Variables

3.4.1 Variables Independent

The independent variable in this research is financial performance which proxies with Return on Asset, Debt on Equity and Dividend.

a. Return on Assets (ROA) is a ratio used to measure a company's ability to generate profits by using the total existing assets and after the capital costs (the costs used to fund the assets) are excluded from the analysis. To calculate ROA ratio can use formula:

$$ROA = \frac{\text{Profit for the year}}{\text{Amount of Asset}}$$

b. Debt to Equity Ratio (DER) is how the company's ability to pay long-term debt. Solvency (leverage) is illustrated to see the extent to which the company's assets are financed by debt compared to its own capital (Weston and Copeland, 1992). Debt policies include external corporate financing policies. Determination of debt policy is related to capital structure because debt is one of composition in capital structure. Describes the composition / structure of the company's capital used as a source of business funding.

$$DER = \frac{\text{Total Amount of Liabilities}}{\text{Total Equities}}$$

c. Dividend Ratio is the distribution of profits to shareholders based on the number of shares owned.

$$\text{Dividend Ratio} = \frac{\text{Appropriated}}{\text{Total Comprehensive Income}}$$

3.4.2 Dependent Variables

Dependent variables referred to in this study are company value. The value of the firm in this study is measured by using the ratio of Price to Book Value. The Price to Book Value ratio can be calculated by the following formula (Brigham & Houston, 2013):

$$\text{PBV} = \frac{\text{Market Price per Share}}{\text{Book Value per Share}}$$