# THE EFFECT OF DIVIDEND POLICY, COMPANY SIZE AND PROFITABILITY ON COMPANY VALUE WITH CAPITAL STRUCTURE AS MODERATING VARIABLES IN THE TRADE SECTOR, SERVICES AND INVESTMENT IN THE INDONESIA STOCK EXCHANGE FOR THE 2017-2020 PERIOD

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**ABSTRACT**

*The purpose of this study was to determine and analyze the effect of dividend policy, firm size and profitability on firm value with capital structure as a moderating variable in the trade, services and investment sectors listed on the Indonesia Stock Exchange for the 2017-2020 period. The data used in this study is secondary data obtained from monthly and annual data published by Bank Indonesia, the Indonesia Stock Exchange. And Energy Information Administration (EIA) and processed using Path Analysis with SmartPLS 3.0 The results show that Dividend Policy and Company Size have no effect on Company Value in the Trade, Services and Investment Sector listed on the Indonesia Stock Exchange, Profitability has an effect on Company Value in the Trade, Services and Investment Sector listed on the Indonesia Stock Exchange.*

**Keyword:    -** *Firm Value, Capital Structure, Dividend Policy, Firm Size, Profitability*

## 1. INTRODUCTION

The Trade, Services and Investment sector is one of the sectors included in the Indonesia Stock Exchange Sectoral Stock Index. The sectoral stock index is a sub-index of the Composite Stock Price Index (IHSG). This sector is divided into 8 sub-sectors, namely the wholesale trade in manufactured goods, the retail trade sub-sector, the restaurant sub-sector, the hotel and tourism sub-sector, the advertising, printing, and media sub-sector, the computer services sub-sector, and the investment sub-sector. , and other sub-sectors.

The Indonesia Stock Exchange plays a major role in the country's economy because it provides two functions at once, namely the economic function and the financial function. It is said to have an economic function because the Indonesia Stock Exchange as a capital market provides facilities or a vehicle that brings together two interests, namely those who have excess funds and those who need funds. Meanwhile, it is said to be a financial function, because the Indonesia Stock Exchange provides the possibility and opportunity to get a return for the owner of the fund in accordance with the characteristics of the chosen investment. So it is hoped that with the capital market, economic activity will increase, because the capital market is an alternative funding for companies to be able to increase company income and ultimately provide prosperity for the wider community.

Company value is an investor's perception of the company's level of success in managing resources at the end of the current year which is reflected in the company's stock price. The higher the share price, the higher the value of the company, a high company value is the desire of the owners of the company, because a high value indicates that the prosperity of shareholders is also high. Investors also tend to be more interested in investing their shares in companies that have good performance in increasing the value of the company, on the contrary, the lower the stock price, the lower the company value or the company's performance is not good Company value is measured by price to book value (PBV), which is a ratio that measures the value of the company by comparing the share price per share.

Dividends are part of the profits obtained by the company to shareholders in the form of cash (cash) or in the form of shares. Dividend policy has a very large impact, both for investors and for companies that will pay dividends. In general, investors want to increase welfare by expecting a return from the shares purchased. On the other hand, every company always wants growth for the company. In order for the company to be able to pay dividends to shareholders, the company must be able to generate profits. Companies that tend to generate profits, the company will distribute dividends.

Company size is the scale of the company seen from the total assets of the company at the end of the year. The size of the company has relevance to the value of the company, where the larger the size of a company, the company is considered to be easier to obtain sources of funding for company operations. The better and the more sources of funds obtained, it will support the company's operations to the maximum, so that it will increase the share price of the company.

Profitability is the company's ability to generate profit (profit) within a certain time. The higher the profitability of a company, the higher the demand for its shares. Better profitability will make investors more confident and then invest their capital in the company. Good profitability will provide benefits for the company and shareholders. For the company, it will get an injection of funds from investors and increase the market value of the company. As for investors, they will get profits in the form of dividends or capital gains from these investments. Therefore, profitability is a very important financial ratio to study its relationship with stock prices.

Capital structure is an important issue for every company and gets special attention, because the company's financial position is influenced by the good or bad capital structure of the company. Companies tend to prioritize the profits of company owners and shareholders. The optimal capital structure is a condition in which a company can use a combination of debt and equity ideally, which balances the value of the company and the costs of its capital structure. The optimal capital structure can change over time, which can affect the weighted average cost of capital. If the capital budget decision greatly affects the condition and value of the company, it is very useful for the company to know the fundamental factors or factors from within the company that can affect the capital structure.

The phenomenon of Trading, Services and Investment companies listed on the Indonesia Stock Exchange experiencing conditions that are not in accordance with the existing theory. An example is shown in the following table:

Table 1.1 Research phenomenon in (Rupiah)

| Code | Year | Dividend | Total Assets | EAT | Stock price | Total Amoun of debt |
|------|------|----------|--------------|-----|-------------|---------------------|
| LINK | 2017 | **286.401.000.000** | 5.766.226.000.000 | 1.007.278.000.000 | **5500** | **1.242.039.000.000** |
| | 2018 | **503.458.000.000** | 6.023.611.000.000 | 788.918.000.000 | **4900** | **1.272.512.000.000** |
| | 2019 | 673.864.000.000 | 6.652.974.000.000 | 894.531.000.000 | 4360 | 1.996.559.000.000 |
| | 2020 | 491.983.000.000 | 7.799.803.000.000 | 941.707.000.000 | 2410 | 3.177.089.000.000 |
| ACES | 2017 | 281.126.283.417 | 4.428.840.550.479 | 780.686.814.661 | 1155 | 918.418.702.689 |
| | 2018 | 389.343.686.991 | 5.321.180.855.541 | 976.273.356.597 | 1490 | 1.085.709.809.612 |
| | 2019 | 483.562.258.825 | 6.641.808.005.145 | **1.023.636.538.399** | **1700** | **1.965.506.710.879** |
| | 2020 | 309.286.244.180 | 7.247.063.894.294 | **731.310.571.351** | **1715** | **2.024.821.339.896** |
| MLPT | 2017 | 59.063.000.000 | 1.870.716.000.000 | 100.033.000.000 | 620 | 993.174.000.000 |
| | 2018 | 56.250.000.000 | **2.059.020.000.000** | 84.419.000.000 | **915** | **1.147.669.000.000** |
| | 2019 | 79.688.000.000 | **2.106.286.000.000** | 125.178.000.000 | **905** | **1.127.712.000.000** |
| | 2020 | 249.375.000.000 | 2.417.802.000.000 | 160.646.000.000 | 710 | 1.535.779.000.000 |

Source Data : www.idx.co.id

Information :

1.     LINK     : (PT. Link Net Tbk)

2.     ACES     : (PT. Ace Hardware Indonesia Tbk)

3.     MLPT     : (PT. Multipolar Technology Tbk)

Based on table I.1, there are three companies that describe Dividend Policy (DPR), Firm Size (Firm Size), Profitability (ROE) to Firm Value (PBV) and Capital Structure as moderating variables (DER) in 2017-2020

PT. Link Net Tbk, in 2017-2018 the amount of dividends increased by Rp. 217,057,000,000 while the share price decreased by Rp. 600 and total debt increased by Rp. 30,473,000,000. PT. Multipolar Technology Tbk in 2018-2019 total assets increased by Rp. 47,266,000,000, while the share price also decreased by Rp. 10 and total debt decreased by Rp. 19,957,000,000. PT. Ace Hardware Indonesia Tbk in 2018-2019 profit after tax decreased by Rp. 292,325,967,048, while the share price increased by Rp. 15 and total debt increased by Rp. 59,314,629.017

Based on the background discussion above, the author is interested in choosing or conducting research in the form of a Thesis with the title "The Influence of Dividend Policy, Company Size and Profitability on Firm Value with Capital Structure as Moderating Variable in the Trade, Services and Investment Sector on the Indonesia Stock Exchange Period 2017-2020.

## 2. MATERIALS & METHODS:

### Descriptive Statistical Analysis

Data analysis using descriptive statistical approach aims to provide an understanding of the situation that occurs or applies to the object of research. In general, the object described will be described in the form of tables, graphs or diagrams, accompanied by simple statistical analysis. Descriptive statistics are used to provide information about the characteristics of the main research variables and the demographic data of the respondents. Measures used in the descriptive include: frequency, size of data center (mean), maximum, minimum, and size of data spread (standard deviation).

### Coefficient of Determination

The final result of testing the structural model and the significance of the model is carried out using the bootstrap method (non-parametric method) because PLS does not use the assumption of normally distributed data so that parametric significance testing cannot be carried out (Hair et al., 2014). The results of this significance test will later be used as the basis for testing the research hypothesis. To see the magnitude of the influence and the relationship between latent variables in the study, it can be seen through the coefficient of determination (R2).

## 3. RESULT:

### Descriptive Statistics Results

Table 1.2
Descriptive statistics

|      | N  | Mean    | Median | Minimum | Maximum | Std.Deviation |
|------|----|---------|--------|---------|---------|---------------|
| DPR  | 80 | 0,603   | 0,359  | 0,021   | 13,213  | 1,544         |
| SIZE | 80 | 28,887  | 29,268 | 26,223  | 30,888  | 1,166         |
| ROE  | 80 | 0,127   | 0,129  | 0,004   | 0,479   | 0,068         |
| PBV  | 80 | 115,304 | 72,001 | 16,009  | 504,447 | 100,148       |
| DER  | 80 | 1,173   | 0,739  | 0,144   | 4,286   | 1,119         |

Source: SmartPLS 3.0 Output Results (2022)

Based on the results of descriptive statistical calculations in table 1.2. above, it can be explained as follows:

1.  The dividend policy variable as measured by the Dividend Payout Ratio (DPR) has a sample size of 80, with a minimum value of 0.021 at PT Enseval Putera Megatrading Tbk in 2018 and a maximum value of 13.213 at PT Multifiling Mitra Indonesia Tbk in 2020, while the average value The mean (mean) is 0.603, the median value is 0.359 and the standard deviation (standard deviation) is 1.544.
2.  The company size variable as measured by SIZE has a sample size of 80, with a minimum value of 26,223 at PT Multifiling Mitra Indonesia Tbk in 2017 and a maximum value of 30.888 at PT Sumber Alfaria Trijaya Tbk in 2020, while the average value (mean) of 28.887, the median value of 29.268 and the value of the standard deviation (standard deviation) of 1.166.
3.  The profitability variable as measured by Return On Equity (ROE) has a sample size of 80, with a minimum value of 0.004 at PT Gema Grahasarana Tbk in 2020 and a maximum value of 0.479 at PT Multifiling Mitra Indonesia Tbk in 2019, while the average value (mean) is 0.127, the median value is 0.129 and the standard deviation (standard deviation) is 0.068.
4.  The firm value variable as measured by price book value (PBV) has a sample size of 80, with a minimum value of 16.009 at PT Jasuindo Tiga Perkasa Tbk in 2017 and a maximum value of 504.447 at PT Multifiling Mitra Indonesia Tbk in 2020, while the average value The mean (mean) is 115.304, the median value is 72.001 and the standard deviation (standard deviation) is 100.148.
5.  The capital structure variable as measured by the debt to equity ratio has a sample size of 80, with a minimum value of 0.144 at PT Mitra Keluarga Karyasehat Tbk in 2018 and a maximum value of 4.286 at PT Midi Utama Indonesia Tbk in 2017, while the average value (mean) is 1.173, the median value is 0.739

and the standard deviation (standard deviation) is 1.119.

**Coefficient of Determination Results**

Table 1.3
Descriptive statistics

|  | R Square | R Square Adjusted |
|---|---|---|
| **Y** | 0,328 | 0,263 |

Source: SmartPLS 3.0 Output Results (2021)

Based on table 1.3 above, it shows that the value of R square is 0.328 or 32.8%. This value indicates that the ability of the independent variables, namely dividend policy, firm size, profitability, capital structure, interaction of capital structure with dividend policy, interaction of capital structure with firm size and interaction of capital structure with profitability in explaining the dependent variable, namely firm value is 32.8%. . While the remaining 67.2% is explained by other variables not examined in this study.

**Discussion of Research Results**

**The Effect of Dividend Policy on Firm Value**

Based on the results of hypothesis testing which shows the results of the T statistic value of 0.074 less than 1.96 (0.074 <1.96) and the P-value of 0.941 greater than 0.05 (0.941> 0.05). Based on the test results With this hypothesis, H1 is rejected, which means that dividend policy has no effect on firm value in the trade, services and investment sectors listed on the IDX for the 2017-2020 period.

**The Effect of Firm Size on Firm Value**

Based on the results of hypothesis testing, the T statistic value of 0.412 is smaller than 1.96 (0.412 <1.96) and the P-value of 0.680 is greater than 0.05 (0.680> 0.05). Based on the results of testing the hypothesis, H2 is rejected, which means that the size of the company has no effect on the value of the company in the trade, services and investment sectors listed on the IDX for the 2017-2020 period.

**The Effect of Profitability on Firm Value**

From the results of hypothesis testing, the T statistic value of 3.480 is greater than 1.96 (3.480> 1.96) and the P-value of 0.001 is smaller than 0.05 (0.001 <0.05). Based on the results of testing the hypothesis, H3 is accepted, which means that profitability has an effect on firm value in the trade, services and investment sectors listed on the IDX for the 2017-2020 period.

**The Effect of Dividend Policy on Firm Value with Capital Structure as Moderating Variable**

Based on the results of hypothesis testing which proves the T statistic value of 1.231 is smaller than 1.96 (1.231 <1.96) and the P-value of 0.219 is greater than 0.05 (0.219> 0.05). Based on the results of testing the hypothesis, H4 is rejected, which means that the effect of dividend policy on firm value is not moderated by the capital structure of the trade, services and investment sectors listed on the Indonesia Stock Exchange for the 2017-2020 period. This means that the size of the company's capital cannot strengthen or weaken the relationship between dividend policy and firm value.

**The Effect of Firm Size on Firm Value with Capital Structure as Moderating Variable**

Based on the results of hypothesis testing, the T statistic value of 0.114 is smaller than 1.96 (0.114 < 1.96) and the P-value is 0.909 which is greater than 0.05 (0.909> 0.05). Based on the results of testing the hypothesis, H5 is rejected, which means that the effect of firm size on firm value is not moderated by the capital structure of the trade, services and investment sectors listed on the IDX for the 2017-2020 period.

Based on the development data for the 2017-2020 period previously presented, the movement of company size does not go hand in hand with the movement of company value, so the increasing capital structure cannot strengthen the relationship between company size and company value. Therefore, the size of the capital structure is not able to affect the relationship between firm size and firm value.

**The Effect of Profitability on Firm Value with Capital Structure as Moderating Variable**

Based on the results of hypothesis testing, the T statistic value of 1.501 is smaller than 1.96 (1.501 <1.96) and the P-value of 0.134 is greater than 0.05 (0.134> 0.05). The results show that the capital structure is not able to moderate the relationship between profitability and firm value in the trade, services and investment sectors listed on the IDX for the 2017-2020 period. This means that the size of the capital structure cannot strengthen or weaken the relationship between profitability and firm value.

## 4.    CONCLUSION:

Based on the results of processing and testing carried out on the financial ratios of the trade, services and investment sectors listed on the IDX for the 2017-2020 period, the following conclusions can be conveyed: Dividend policy does not affect the value of companies in the trade, services and investment sectors listed on IDX for the period 2017-2020. The size of the company has no effect on the value of the company in the trade, services and investment sectors listed on the IDX for the 2017-2020 period. Profitability affects the value of the company in the trade, services and investment sectors listed on the IDX for the 2017-2020 period. The effect of dividend policy on firm value is not moderated by the capital structure of the trade, services and investment sectors listed on the IDX for the 2017-2020 period. The effect of firm size on firm value is not moderated by the capital structure of the trade, services and investment sectors listed on the IDX for the 2017-2020 period. The effect of profitability on firm value is not moderated by the capital structure of the trade, services and investment sectors listed on the IDX for the 2017-2020  period.

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