The Influence of Dividend Policy, Profitability and Company Growth on Company Value with Structure Capital as an Intervening Variable

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ABSTRACT
This study aims to examine the influence of dividend policy, profitability, and company growth on company value with capital structure as an intervening variable. The population in this study is all manufacturing companies listed on the Indonesia Stock Exchange (IDX) in the period 2016-2019. The sampling technique used was purposive sampling, with a total sample of 20 companies. Data analysis was performed using path analysis. The results of this study indicate that dividend policy, profitability, and company growth have a significant positive effect on company value. Furthermore, capital structure is found to mediate the relationship between dividend policy, profitability, and company growth on company value.

Keywords: *Dividend Policy, Profitability, Company Growth, Company Value, Capital Structure, Path Analysis.*

1. INTRODUCTION

Company value is an important thing for a manager and for an investor. Company value can be measured using *Price to Book Value* (PBV) which describes how much value can be appreciated in a company. In the capital market, the uncertainty of the PBV value means that investors must choose very carefully which investment alternative to choose. Not all company shares have profits that will provide benefits to investors. One of them is a company that is part of the LQ45 index on the Indonesian Stock Exchange. The LQ45 index is the market capitalization value of the 45 most liquid and high capitalization stocks. Table 1 shows the value of LQ45 index companies measured by PBV for the period of 2015-2019.

Table 1. The Value of the LQ45 companies, 2015-2019

Issuer Code	The value of the companies				
	2015	2016	2017	2018	2019
ARKA	3.87	2.96	2.81	1.73	1.57
ASII	1.19	2.39	2.14	1.91	1.5
BBCA	3.65	3.37	4.1	4.46	4.68
BBNI	1.18	1.15	1.82	1.47	1.15
BBRI	2.49	1.96	2.68	2.41	2.6
BBTN	0.98	0.96	1.74	1.11	0.93
BMRI	1.8	1.76	2.19	1.84	1.69
GGRM	2.78	3.1	3.82	3.56	2
ICPB	2.39	2.7	5.1	5.36	4.87
INDF	1.05	1.58	1.43	1.31	1.28
INTP	3.44	2.16	3.29	2.92	3.03
JSMR	2.86	1.79	2.53	1.53	1.61

Table 1. The Value of the LQ45 companies, 2015-2019 (cont.)

Issuer Code	The value of the companies				
	2015	2016	2017	2018	2019
KLBF	5.65	5.69	5.7	4.65	4.54
PTBA	3.48	2.18	1.14	0.68	0.56
SCMA	13.27	11.04	8.23	5.35	3.79
TLKM	3.39	3.8	3.95	3.16	3.35
WIKA	2.76	1.69	0.95	0.86	0.92
WSKT	2.33	2.06	1.31	0.78	0.69
AVERAGE	3.10	2.79	3.11	2.63	2.34

Source: data processed 2021

Table 2 shows the data of Company Value projected by *price to book value (PBV)* for the 2015-2019 LQ45 Index companies, which are a sample of 18 companies, experiencing fluctuations and tending to decline. ARKA, INDF, PTBA, AND WSKT companies are 4 companies that did not experience an increase in company value from 2016-2019. In contrast, 14 other companies experienced company values that tended to fluctuate every year. Judging from the average company value, the LQ45 Index fluctuates every year, where the company value in 2015 was 3.10, decreased to 2.79 in 2016, while in 2017 it increased to 3.11 but experienced the decline again in 2018 and 2019 was 2.63 and 2.34 respectively. The problem faced by the company is that if the company's declining value is not corrected, it will reduce the company's credibility in the eyes of investors. Based on these conditions, this research aims to analyze factors that influence company value with capital structure as a mediating variable.

2. RESEARCH METHODS

This research was conducted on companies that are members of the LQ45 Index listed on the IDX for the 2015-2019 period (www.idx.co.id). The population is all companies included in the LQ45 Index on the IDX for the 2015-2019 period, totaling 45 companies. The sample was determined using the *purposive sampling method* , namely 18 companies. The type of data in this research is secondary data. Data collection through documentation. The data analysis technique uses descriptive statistical analysis and inferential analysis with *the Partial Least Square (PLS)* statistical test tool with SmartPLS 3.2.8 software.

3. RESULTS AND DISCUSSION

3.1. Results

3.1.1. Descriptive Analysis

Table 2. Results of Descriptive Analysis (%)

	Mean	Min	Max	Standard deviation
DY	3.2	0.0	33.0	3.8
DPR	50.0	4.9	200.2	33.8
ROA	7.9	0.0	33.7	6.8
ROE	16.3	0.8	45.2	7.1
ASSET GROWTH	14.6	-10.5	141.6	20.3
SALES GROWTH	11.1	-35.6	110.6	21.2
DAR	0.7	0.1	0.9	1.4

Table 2. Results of Descriptive Analysis (%) (cont.)

	Mean	Min	Max	Standard deviation
DER	2.6	0.1	12.0	2.9
PER	20.2	1.0	107.2	13.8
PBV	2.8	0.2	13.2	2.02

3.1.2. Inferential Statistical Analysis

3.1.2.1. Outer Model Measurement

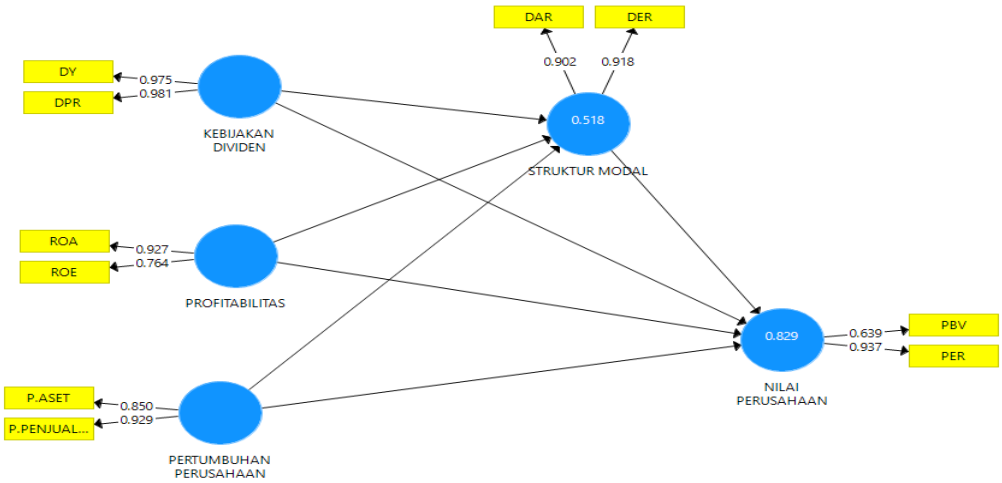

Figure 1 Outer Model (Source: Data obtained by SEMPLS)

1) Convergent Validity

The results of data management (see Figure 1) show that all indicators on all variables have an *outer loading factor value* greater than 0.6. This means that all indicators are valid and suitable for use.

2) Discriminant Validity Test

This test uses cross loading values. If the cross-loading value on the indicator variable is the largest compared to the other variables, then it meets discriminant validity. Table 3 shows the cross loading value of each indicator.

Table 3. The cross loading values

	X1	X2	X3	Z	Y
DY	0.975	-0.181	-0.181	-0.239	-0.489
DPR	0.981	-0.246	-0.246	-0.595	-0.573
ROA	0.380	0.927	-0.213	-0.666	-0.510
ROE	0.314	0.764	-0.184	-0.379	-0.308
ASSET	-0.247	-0.216	0.850	0.200	0.018
PNJL	-0.164	-0.204	0.929	0.230	0.150
DAR	-0.615	-0.650	0.297	0.902	-0.615
DER	-0.396	-0.531	0.152	0.918	0.396
PER	-0.396	-0.533	0.158	0.915	0.937
PBV	-0.18	-0.186	-0.060	0.391	0.639

Source: Primary Data Analysis

The data in the table above shows that each indicator in the research variable has the largest *cross loading value* compared to the *cross loading value* on the other variables.

Table 4. Average Variance Extracted

Variable	(Average)
Dividend Policy	0.975
Profitability	0.729
Company Growth	0.797
Capital Structure	0.793
The value of the company	0.684

Table 4 shows that the AVE value of the variables Dividend Policy, Profitability, Company Growth, Capital Structure and Company Value is > 0.5. Thus, it can be stated that each variable has good *discriminant validity.*

Table 5. Composite Reliability

Variable	Composite Reliability
Dividend Policy	0.978
Profitability	0.843
Company Growth	0.887
Capital Structure	0.904
The value of the company	0.865

It can be seen from the Table 5 that the *composite reliability value* for all research variables is > 0.7. These results indicate that each variable has met *composite reliability* so it can be concluded that all variables have a high level of reliability.

Table 6. Cronbach's Alpha

Variable	Cronbach's Alpha
Dividend Policy	0.955
Profitability	0.636
Company Growth	0.745
Capital Structure	0.793
The value of the company	0.762

The data in the Table 6 shows that the *Cronbach alpha value* for each variable is > 0.6. These results indicate that each variable has met the *Cronbach alpha value requirements*, so that all variables have a good level of reliability.

3.1.2.2. Inner Model Measurement

Table 7. R-Square

	R^2
Capital Structure	0.518
The value of the company	0.829

The data in the Table 7 shows that the R- *Squares* for the capital structure variable is 0.518 and is in the *moderate category*. Obtaining this value explains that the percentage of capital structure can be explained by dividend policy, profitability and company growth of 51.8% and the remaining 48.2% is explained by other variables outside this model. Then the R- *Squares value* of the company value variable is 0.829 and is included in the strong category. This value explains that company value can be explained by dividend policy, profitability, company growth and capital structure of 82.9% and the remaining 17.7% is explained by other variables outside the model. The results of hypothesis testing can be seen in Table 8.

Table 8. Hypothesis testing results

Variable	Original Sample	Standard Deviation	t Statistics	P Value
XI–Z	-0.335	0.078	3,913	0,000
X2 – Z	-0.496	0.063	7,891	0,000
X3 – Z	0.053	0.052	1,024	0.306
X1 – Y	0.156	0.044	3,349	0,000
X2 – Y	0.097	0.048	2,040	0.042
X3 – Y	-0.095	0.066	1,428	0.154
Z – Y	1,062	0.041	25,653	0,000
X1-ZY	-0.356	0.096	3,718	0,000
X2-ZY	-0.527	0.072	7,291	0,000
X3-ZY	0.057	0.053	1,015	0.311

4. DISCUSSION

Effect of Dividend Policy (X1) on Capital Structure (Z). The research results show that dividend policy has a negative and significant effect on capital structure (0.000 < 0.05). So it can be concluded that the first hypothesis is accepted. This result is in accordance with the theory of Brighan and Houston, (2010), that increasing dividends will reduce the use of existing debt in the company, so that increasing dividend policy will reduce the capital structure. The results of this research are also supported by research by Hidayat (2015).

Effect of Profitability (X2) on Capital Structure (Z). The research results show that profitability has a negative and significant effect on capital structure (0.000 < 0.05). So it can be concluded that the second hypothesis is accepted. The results of this research are in accordance with *the pecking order theory* which states that higher company profitability causes companies to tend to use less debt and capital structure. These results are supported by research by Tijow et al (2018).

Effect of Company Growth (X3) on Capital Structure (Z). The research results show that company growth has a positive and insignificant effect on capital structure (0.306 < 0.05). So it can be concluded that the third hypothesis is rejected. The growth rate has no effect on the capital structure. This means that in deciding the capital structure the manager does not pay attention to the company's growth rate in the business world and the possibility that ordinary sales do not exceed the costs incurred when selling debt, which in turn cannot encourage the company to grow rapidly. The results of this research are in line with research conducted by Khoiril, Pratnadita and Suprianto (2017). On the other hand, this research is not in line with research conducted by Serrasqueiro (2011).

Influence of Dividend Policy (X1) on Company Value (Y). The research results show that dividend policy has a positive and significant effect on company value (0.000 < 0.05). So it can be concluded that the fourth hypothesis is accepted. Companies that distribute cash dividends are companies that earn profits in a certain period. The higher the dividends distributed will attract investors' interest in investing, the impact will increase the value of the company. The results of this research are supported by research conducted by Moch. Ridho Ghazali Rahman, Nurnajamuddin and Budiadriani (2020) and Wati, Sriyanto and Khaerunnisa (2018).

Influence of Profitability (X2) on Company Value (Y). The research results show that profitability has a positive and significant effect on company value (0.042 < 0.05) . So it can be concluded that the fifth hypothesis is accepted. The results of this research support *Signaling Theory* or signal theory developed by Ross (1977) which states that company executives who have better information about their company will be encouraged to convey this information to potential investors so that their company's share price increases. The results of this research are in line with research conducted by Lubis (2017) and Dewi and Suputra (2019).

Influence of company growth (X3) on company value (Y). The research results show that company growth has a negative and insignificant effect on company value (0.154 < 0.05) . So it can be concluded that the sixth hypothesis is rejected. Companies with high growth are companies that have good performance in generating profits. Growing companies will require larger funds than more established companies. Investors see that the company's growth will make the company reluctant to distribute dividends at the end of the year and prefer the option to re-manage the funds, which will result in a decline in the company's value.

Influence of Capital Structure (Z) on Company Value (Y). The research results show that capital structure has a positive and significant effect on company value (0.000 < 0.05) . So it can be concluded that the seventh hypothesis is accepted. The research results are in accordance with *Signaling theory* which states that when a company uses external funds to fund its business it will be seen by investors as a positive signal because investors' perception when a company uses debt means that the company has the ability to increase capacity and pay off debt. The results of this research are in line with research conducted by Pasaribu, Topowijono, and Sulasmiyati (2016) and, Utomo and Christy (2017).

The Influence of Dividend Policy on Company Value through Capital Structure. The research results show that dividend policy on company value through capital structure has a negative and significant effect on company value (0.000 < 0.05) . So it can be concluded that the eighth hypothesis is accepted. Dividend policy has a negative effect on capital structure, while capital structure has a positive and significant effect on company value, meaning that increasing debt will increase company value. This supports *the pecking order theory* where dividends can substitute for debt in reducing company risk. Reducing debt will minimize company risk so that it will increase company value. This is supported by research from Khoirianto (2017), Sugiarto (2011) and also Amirya and Atmini (2008).

The Influence of Profitability on Company Value through Capital Structure. The influence of profitability on company value through capital structure has a negative and significant effect on company value (0.000 < 0.05). So it can be concluded that the ninth hypothesis is accepted. A company that has a high level of profit identifies the company as having good performance. Then the financial manager can manage this profit through appropriate financial decisions, one of which is regarding funding decisions (Khoirianto, 2016). When the funding decision taken is correct, it can generate positive sentiment from investors and can cause the company's share price to increase. An increase in share prices in the market indicates an increase in company value. This is in accordance with research conducted by Hermuningsih (2012) which found that capital structure can be a mediating variable between the influences of profitability on company value. The same results were also found by Prasetyo et al. (2017), Thaib and Dewantoro (2017), and Khoirianto (2016).

The Influence of Company Growth on Company Value through Capital Structure. The results of the research show that company growth on company value through capital structure has a negative and insignificant effect (0.311 < 0.05). So it can be concluded that the tenth hypothesis is rejected. This research is in line with research conducted by Zulfa, Yulianti and Farikha (2020).

5. CONCLUSION

Based on the results and discussion some conclussion can be drawn. Dividend policy and profitability have a negative significant effect on capital structure of LQ45 companies during the period of 2015-2019, while company growth has no effect on capital structure. Dividend policy profitability have positive and significant effect on company value. Further, capital structure also positively affect compani values, however company growth has no effect on company value during the periode of 2015-2019. Capital structure negatively mediates the relationship between dividen policy and profitability with company value, but it plays no significant as mediator in the relationship between company growth and company value.

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