

Effect of Capital Structure, Profitability, Tax Planning and Dividend Policy on the Value of Companies Listed on the IDX

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Abstract: This study aims to analyze the effect of capital structure, profitability, tax planning, and dividend policy on firm value. The research method uses an indexed population of 57 consumer goods listed on the IDX in 2020 with a sample of 27 companies. The sampling technique used was purposive sampling. The results showed that the capital structure had an effect on firm value with a significant level of <0.05 . This shows that the capital structure has an effect on firm value received on the grounds that capital in the use of debt can increase firm value related to interest costs on debt to reduce tax payments. While the profitability of the company's value with a significant level reached <0.05 . This shows that profitability has a positive effect on company value and the company's competitive advantage. Tax planning has no effect on firm value with a significant level of 0.586. This shows that tax planning is rejected on the grounds that the tax burden is categorized as a tax rate set by the government. As for the dividend policy on the value of the company with a significant level reaching 0.083. This shows that the dividend policy provides more certainty for investors.

Keywords: *capital structure, profitability, tax planning, and tax planning.*

1. Introduction

The establishment of a go public company aims to maintain business continuity and increase company value (Martha et al., 2018). Business continuity can be maintained, if the value of the company can increase easily. The value of the company is not limited to showing the company's current performance but is able to show the company's prospects in the future. Good future prospects are indicated by the high value of the company. Firm value is measured using Price to Book Value (PBV) which is a comparison between the market price per share and the book value per share (Ramadhan et al., 2018). Since 2016-2019 the PBV of the consumer goods sector has fluctuated because it is influenced by various factors. The PBV growth of the consumer goods sector can be seen in the table of PBV growth of the consumer goods sector for 2015 – 2019 below

Year	2015	2016	2017	2018	2019
PBV	2.06	5.4	5.58	5.65	4.17

(Source: idx.co.id).

Based on the table above, it shows that the PBV of the consumer goods sector for three years experienced an increase in 2016 of 3.34, an increase of 0.18 in 2017 and an increase of 0.18 and 0.07 in 2018. For 2019 there was a decrease of 1.48 due to the issuer's performance being less than optimal by producing a HMSP value of -43.9%, GGRM of -36.08%, UNVR of -6.66%, and MYOR of -17.18%. The choice of the independent variable is due to see how

far the performance of PBV growth in the consumer goods sector is running optimally (Irawan, & Kusuma, 2019).

There are many studies on firm value but show mixed results. The diversity of results is caused by differences in samples, research periods, variables and measurements. This study uses capital structure, profitability, tax planning and dividend policy as independent variables on firm value. Capital structure has a positive effect on firm value because high use of debt shows good prospects in the future (Ramdhonah et al., 2019).

Capital structure has no significant effect on firm value because investors prioritize long-term debt compared to total debt (Permatasari & Azizah, 2018). Long-term debt has a significant advantage, especially in the profitability of the company. Company profitability has a positive effect on firm value because high profitability will provide benefits for investors to expect dividend distribution (Ramdhonah et al., 2019).

Apart from profitability, tax planning also has a positive effect on firm value because effective tax payments can increase firm value by maximizing profit after tax (Dewanata & Achmad, 2017). The tax planning of a company has significant advantages, especially in the after-tax profit. In addition, tax planning does not affect the value of the company because the company's tax payments are in accordance with the set rates (Herawati & Ekawati, 2016). Dividend policy has a positive effect on firm value because corporate investors prioritize dividends over retaining profits (Sari et al., 2018). The company's dividend policy is important in determining better investors. Therefore, researchers are interested in conducting this research by prioritizing capital structure, profitability, tax planning, and dividend policy which have a very positive effect.

2. Research Method

The population used are companies listed on the IDX in 2020 as many as 57 companies with the Consumer Goods Index (ICG) which have a strategic role in community welfare. The sample used purposive sampling technique as many as 111 for 5 years. This study uses secondary data in the form of annual financial reports. Data analysis used multiple linear regression assisted by SPSS v.24 program. This research instrument can be seen in table 1 below: Table 1 Research Instruments

No Variable Measurement Scale

1 Company Value (PBV) Ratio (Market price per share)/(book value per share)

2 Capital Structure (DER) Ratio (Total debt)/(Total equity) x 100%

3 Profitability (ROE) Ratio (profit after tax)/(own capital) x 100%

4 Tax Planning (ETR) Ratio (Tax expense)/(Profit before tax)

5 Nominal Dividend Policy Companies that distribute dividends are given a score of "1" while those that do not distribute dividends are given a score of "0".

Source: Geetha & Karhika, 217.

3. Results and Discussion

3.1. Results

a) Descriptive Statistics

Descriptive statistical analysis was used to determine the distribution of research data in the form of minimum, maximum, mean and standard deviation values for each variable. The results of the descriptive statistical test can be seen in table 1 below:

Table 1 Descriptive Statistical Test Results

Descriptive Statistics					
	N	Min	Max	Mean	Std. Dev
X1_DER	111	,08	2,79	,7076	,59766
X2_ROE	111	,03	,65	,1577	,09810
X3_ETR	111	,13	,39	,2604	,04146
X4_DIP	111	0	1	,79	,407
Y_PBV	111	,21	22,54	3,1611	3,33227
Valid N (listwise)	111				

Source: processed data, 2021.

Based on table 1 shows that this research is very significant.

b) Classical Assumption Test

1. Normality Test

Normality test is used to test a regression equation residue that has a normal distribution or not. The significance value is >5%, then the residual is said to be normal (Sari et al., 2017). The results of the normality test can be seen in table 2 below:

Table 2 Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		111
Normal Parameters ^{a,b}	Mean	,1778214
	Std. Dev	2,61641993
Most Extreme Differences	Absolute	,069
	Positive	,069
	Negative	-,066
Test Statistic		,069
Asymp. Sig. (2-tailed)		,200 ^{c,d}
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

Source: processed data, 2021.

Based on table 2 shows that the data has been normally distributed with a significant value of 0.200.

2. Multicollinearity Test

The multicollinearity test was used to test the correlation coefficient between the independent variables in the multiple regression model with a VIF value of <10 which assumed the model contained multicollinearity (Sari et al., 2017). The following multicollinearity test results can be seen in table 3 below:

Table 4 Multicollinearity Test Results

Coefficients ^a			
		Collinearity Statistics	
Model		Tolerance	VIF
1	X1_DER	,940	1,063
	X2_ROE	,954	1,048
	X3_ETR	,962	1,039
	X4_DIP	,941	1,063

Source: processed data, 2021

Based on table 3, it shows that it does not contain multicollinearity because the VIF value of each variable is <10.

3. Heteroscedasticity Test

Heteroscedasticity test is used to test the inequality of variance between observers with a regression model that does not occur heteroscedasticity (Basuki, 2016). The following results of the heteroscedasticity test can be seen in table 4 below:

Table 4 Heteroscedasticity Test Results

Coefficients ^a						
Model		Unstd. Coefficients		Std. Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,368	,275		1,341	,183
	X4_DIP	,062	,069	,087	,891	,375
	ABS_LnX1	-,074	,047	-,151	-1,560	,122
	ABS_LnX2	,059	,045	,127	1,300	,197
	ABS_LnX3	-,022	,173	-,012	-,126	,900

a. Dependent Variable: ABS_RES3

Source: processed data, 2021

Based on table 4 shows that there is no heteroscedasticity with a significance value of >5%.

4. Autocorrelation Test

The autocorrelation test is used to determine whether there is a violation of autocorrelation in the regression model with the existing correlation between residuals for one observer and another observer (Basuki, 2016). The following results of the autocorrelation test can be seen in table 5 below this:

Table 5 Autocorrelation Test Results

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,820 ^a	,672	,659	1,94451	1,974
a. Predictors: (Constant), X4_DIP, X2_ROE, X3_ETR, X1_DER					
b. Dependent Variable: Y_PBV					

Source: data processed, 2021

Based on table 5 shows that the violation of the autocorrelation with the Durbin-Watson value of 1.974 lies between dU (1.7657) and 4-dU (2.2343).

c) Multiple Linear Regression Analysis

Multiple regression analysis is a regression with two or more independent variables (Basuki, 2016). The following results of multiple linear regression can be seen in table 6 below:

Table 6 Multiple Linear Regression Test Results

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1,605	1,353		-1,186	,238
	X1_DER	-1,155	,320	-,207	-3,610	,000
	X2_ROE	27,154	1,935	,799	14,033	,000
	X3_ETR	2,491	4,558	,031	,546	,586
	X4_DIP	,823	,469	,101	1,753	,083
a. Dependent Variable: Y_PBV						

Source: data retrieved, 2021

Based on table 6 shows that the standard error is significant.

d) Hypothesis Test

Hypothesis testing is used to see the independent variables to be able to explain the dependent variable which proves H0 or H1 is accepted (Sarwono, 2016). The following results of hypothesis testing can be seen in table 7 below:

Table 7 Hypothesis Test Results

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1,605	1,353		-1,186	,238
	X1_DER	-1,155	,320	-,207	-3,610	,000
	X2_ROE	27,154	1,935	,799	14,033	,000
	X3_ETR	2,491	4,558	,031	,546	,586
	X4_DIP	,823	,469	,101	1,753	,083
a. Dependent Variable: Y_PBV						

Source: processed data, 2021

Based on table 7 shows that the hypothesis is accepted.

e) Coefficient of Determination

The coefficient of determination is used to see the ability of the independent variable in explaining the dependent variable (Basuki, 2016). The following results of the coefficient of determination can be seen in table 8 below:

Table 8 Coefficient of Determination

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,820 ^a	,672	,659	1,94451
a. Predictors: (Constant), X4_DIP, X2_ROE, X3_ETR, X1_DER				
b. Dependent Variable: Y_PBV				

Source: processed data, 2021

Based on table 8 shows that the value of adjust R square is the dependent variable, and the value of 34.1% is not explained in the results of this study.

3.2. Discussion

a. Effect of Capital Structure on Firm Value

The capital structure has a significance level of 0.000. This shows that the capital structure has an effect on firm value because the significance level is <0.05 . Hypothesis 1 which states that capital structure has an effect on firm value is accepted. The results of this study support the results of the research of Ramadhan, et al (2018) and do not support the results of the research of Irawan and Kusuma (2019). The debt ratio has an effect on firm value (Ramadhan et al., 2018). The results of this study support the capital structure theory which states that the use of debt will increase the value of the company if the interest expense on debt is a cost that can reduce tax payments. Decisions regarding capital structure are critical to a company's success because it allows the company to invest in projects that will maximize shareholder wealth, minimizing agency costs without harming bondholders (Osasere, 2020).

This study is different from the results of other studies which show that capital structure has no effect on firm value (Irawan & Kusuma, 2019). If the company changes its capital structure, then the value of the company will have no effect. Investors do not judge a company from its capital structure. Capital structure has no effect on firm value because investors pay more taxes than bondholders (Maxwell & Kihende., 2018). The low tax burden of bondholders indicates that interest on debt is not able to reduce the burden on corporate taxes.

b. Effect of Profitability on Firm Value

Profitability has a significance level of 0.000. This shows that profitability has an effect on firm value because the significance level is <0.05 . Thus, hypothesis 2 which states that profitability has an effect on firm value is accepted. The results of this study support the results of research by Ramdhonah et al. (2019) and do not support the results of the research of Jariah (2016). Profitability has a positive effect on firm value (Ramdhonah et al., 2019). Corporate value and competitive advantage can be created through profitability (Sucuahi & Cambarihan, 2016). Profitability will be interesting if it is followed by low company leverage (Chen & Chen, 2011).

This study is different from the results of other studies which show that profitability has no effect on firm value (Jariah, 2016). This shows that any profitability will not affect the value of the company. In addition, the level of profitability of a company does not always provide great added value to investors. The return value of the investment is in accordance with the amount of capital invested by the investor. If the invested capital is large, then the return received is also large, and vice versa.

c. The Effect of Tax Planning on Firm Value

Tax planning has a significance level of 0.586. This shows that tax planning has no effect on firm value because the significance level is > 0.05 . Thus, hypothesis 3 which states that tax planning has an effect on firm value is rejected. The results of this study support the results of research by Herawati and Ekawati (2016) and do not support the results of research by Dewanata & Achmad (2017). Tax planning has no effect on firm value (Herawati & Ekawati, 2016). Whatever the company's tax burden each year does not

affect the value of the company. The tax burden paid by the company is still categorized as reasonable according to the tax rate set by the government.

This study is different from the results of other studies which show that tax planning has a positive effect on firm value (Dewanata & Acmad, 2017). This is because effective tax payments can increase the value of the company through maximizing profit after tax. Companies that earn maximum profits are preferred by investors. Investors like companies with low tax planning activities because they are considered more transparent to information (Razali et al., 2018). Investors assume that tax planning activities are able to increase information asymmetry between managers and investors. Tax planning has a negative effect because the agency costs incurred for tax planning are higher (Zemzem et al., 2015).

d. **Effect of Dividend Policy on Firm Value**

The dividend policy has a significance level of 0.083. This shows that dividend policy has no effect on firm value because the significance level is > 0.05 . Thus, hypothesis 4 which states that dividend policy has an effect on firm value is rejected. The results of this study support the results of Putri (2019) and do not support the results of Geetha and Karthika .'s research

4. Conclusion

Capital structure has an effect on firm value with a significant level of <0.05 . This shows that the capital structure affects the value of the company received on the grounds that capital in the use of debt can increase the value of the company with interest costs on debt to reduce tax payments (Osasera, 2020). While the profitability of the company's value with a significant level reached <0.05 . This shows that profitability has a positive effect on company value and the company's competitive advantage (Ramdhonah et al., 2019).

Tax planning has no effect on firm value with a significant level of 0.586. This shows that tax planning is rejected on the grounds that the tax burden is categorized as a tax rate set by the government (Dewanata & Achmad, 2017). As for the dividend policy on company values with a significant level reaching 0.083. This shows that the dividend policy provides more certainty for investors (Geetha & Karthika, 2017).

This research is limited to companies listed on the Consumer Goods Index, the Indonesia Stock Exchange (IDX). Future research is expected to use research samples in the form of manufacturing companies because they have more sub-sectors, so that research results can be generalized.

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