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The Effect of Capital Structure, Dividend Policies, and Working Capital Routing on Company Value and Profitability as Intervening Variables in Property and Real Estate Companies in Indonesia Stock Exchange 2014-2018

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Abstract **- This study aims to examine and analyze the effect of capital structure, dividend policy, and working capital turnover on firm value and profitability as intervening variables in property and real estate companies on the Indonesia Stock Exchange. The research sample was conducted on 7 (seven) property and real estate issuers based on available data or published on the Indonesia Stock Exchange website from 2014 to 2018. The analysis method uses path analysis. The results showed that capital structure has a significant positive effect on profitability, dividend policy has no positive effect on profitability, working capital turnover has no positive effect on profitability, profitability has a significant positive effect on firm value.**

Keywords: capital structure, dividend policy, working capital turnover, profitability, firm value.

I. PRELIMINARY

The property and real estate sector plays an important role in the economic sector and development in Indonesia. This sector is also an indicator to assess the economic development of a country. The property and real estate sector is a large sector that is able to absorb a large number of workers and has a chain effect on other sectors of the economy. It can be seen that the property and real estate sectors can have a big impact that can encourage the development of other economic sectors, especially financial product development.

To measure company value, one of the measuring instruments used is the price book value (PBV), this PBV shows the level of the company's ability to create value relative to the amount of invested capital. PBV is used to see how much the level of undervalued and overvalued share prices is calculated based on book value after being compared with market prices. The higher the PBV means that the market has confidence in the company's prospects.

In increasing the value of the company, the company must strive to improve its operations and expand which of course requires funds / capital; the company must make decisions about the sources of funding used and the capital structure that the company considers good.

Martikarini (2012) in his research entitled the effect of profitability, debt policy, and dividends on the value of manufacturing companies listed on the Indonesia Stock Exchange for the 2009-2011 period, shows that profitability as measured by ROE has a positive and significant effect on firm value as measured by PBV. This is because high profits will also provide a good company prospect, so that investors can respond to increase demand for shares. The high demand for shares causes the supply of shares to increase, so that the company value is proxied by high PBV. Because the main goal of the company is to increase the value of the company through increasing the prosperity of the owner or shareholders. Debt policy as measured by DER does not have a significant effect on firm value as measured by PBV. This explains that where the level of debt is not influencing shareholder decisions in increasing firm value. It is better if the company is not fully financed with debt, so that the company does not pose a higher risk of bankruptcy. Dividend policy as measured by the DPR has a positive and significant effect on firm value as measured by PBV. This explains that the dividend policy is a good signal for the company in the future. Research on the relationship between dividend policy and firm value also shows different results among researchers. This explains that where the level of debt is not influencing shareholder decisions in increasing firm value. We recommend that the company is not fully financed with debt, so that the company does not pose a higher risk of bankruptcy. Dividend policy as measured by the DPR has a positive and significant effect on firm value as measured by PBV. This explains that the dividend policy is a good signal for the company in the future. Research on the relationship between dividend policy and firm value also shows different results among researchers. This explains that where the level of debt is not influencing shareholder decisions in increasing firm value. We recommend that the company is not fully financed with debt, so that the company does not pose a higher risk of bankruptcy.

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Based on previous research, it can be seen that the results obtained are still inconsistent regarding what affects firm value. Based on this background, the writer wants to do research with the research title "The Influence of Capital Structure (DER), Dividend Policy (DPR), and Working Capital Turnover (WCTO) on Firm Value and Profitability as Intervening Variables in Property and Real Estate Companies Listed on the Exchange. Indonesian Securities for the 2014-2018 Period".

II. LITERATURE REVIEW

According to Bringham and Houston (2006) in Hermuningsih (2012), company value is very important because high company value will be followed by high shareholder wealth. The higher the stock price the higher the value of the company.

A high company value will also be the desire of investors, because the high value of the company shows that the company shows high prosperity for investors.

The value of the firm depends not only on the ability to generate cash flow, but also on the operating and financial characteristics of the company being taken over.

Maximizing the value of the company is very important, because maximizing company value is the main goal in a company. By increasing the value of the company, the welfare of investors will also increase.

Firm value is measured by share price using financial assessment ratios. The assessment ratio is related to the assessment of the performance of the shares of companies that have been traded on the Indonesia Stock Exchange (Capital Market).

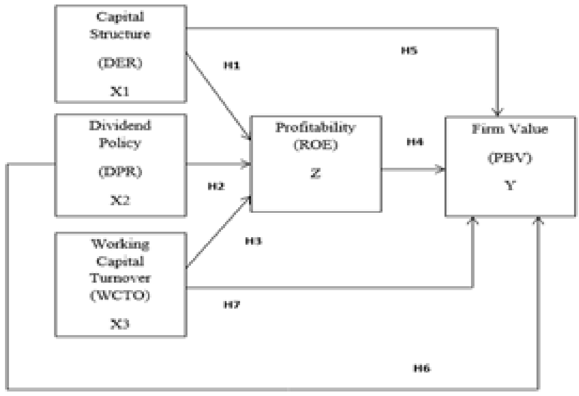

Figure 1: Framework

Capital structure is the composition of common stock, preferred stock, and various classes such as retained earnings, and long-term debt maintained by the business entity in financing assets (Joel G. Siegel and Jae K.Sim in Irham Fahmi: 2017).

H_1: Capital structure has a positive effect on profitability

Shareholders will get one of the returns earned from dividends. Dividends are distributions that can be in the form of cash, other assets, letters or other evidence stating the company's debt and shares to the shareholders of a company as a proportion of the total shares owned by the owner. Dividends are part of a profit paid by the company.

H_2: Dividend Policy has a positive effect on profitability

Turnover of working capital (net working capital turn over) is one of the ratios used to measure business activity against the excess obtained from current assets or current debt as indicated by the number of sales (V. Wiratna Sujarweni: 2015).

H_3: Working Capital Turnover has a positive effect on profitability

According to Saidi (2006) in Hernawati (2016), profitability is the company's ability to earn profits. Investors put stock in the company to get a return. The higher the company's ability to earn a profit, the greater the return expected by investors, thus making the company value better.

H_4: Profitability has a positive effect on Firm Value

Measuring the capital structure is by using the debt to equity ratio (DER). DER is the ratio used to value debt to equity. This ratio is found by comparing all debt, including current debt, and total equity.

H_5: Capital structure has a positive effect on Firm Value

Dividend Payout Ratio, which is a form of company policy, is able to determine the proportion of profits that the company receives to be paid to investors according to the number of shares it owns (Senata, 2016).

H_6: Profitability has a positive effect on Firm Value

Working capital in a company is always in a rotating state or operating to support the company's operations. Turnover of

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working capital starts when cash is invested in the working capital component until the investment generates cash back. To assess the effectiveness of a working capital, it can be measured by the ratio between total sales and the average amount of capital (working capital turnover).

H_7 : Working Capital Turnover has a positive effect on Firm Value

III. RESEARCH METHOD

The research method used in this research is quantitative analysis method, namely research that emphasizes its analysis on numerical data or numbers obtained by statistical methods and is a causality research, namely a causal relationship where there is a relationship between two or more variables.

According to Sugiyono (2016) Population is a generalization area consisting of objects or subjects that have certain qualities and characteristics set by researchers to study and then draw conclusions. The population in this study was property and real estate companies listed on the Indonesia Stock Exchange for the period 2014-2018.

Variable identification needs to be done to provide an overview and reference in research. Based on the formulation of the problem and the proposed hypothesis, the variables in this study can be identified as follows: firm value as an endogenous variable (Y), capital structure (X1), dividend policy (X2) and working capital turnover (X3), profitability as a variable between (Z).

The data analysis method used to test the model in this study is a quantitative model. Quantitative analysis is a form of analysis that uses numbers and calculations using statistical methods. To make it easier to analyze in this study, the Reviews 10 application is used using panel regression analysis. Panel data is a combination of time series data and cross section. To use the most appropriate model used in panel regression, a model selection must be carried out using the Chow test, the Hausman test and the development of path analysis.

IV. RESEARCH RESULTS AND DISCUSSION

Path analysis is an analytical technique used to analyze the inherent cause and effect relationship between variables arranged based on temporary order by using the path coefficient as a value in determining the influence of exogenous independent variables on endogenous dependent variables (Jonathan Sarwono: 2011).

Table 1: Summary of Path Coefficients

Variable	Coefficient	Std. Error	t-Statistic	Prob.	Information
X1 - Z	0.076818	0.024229	3.170501	0.0034	Positive Significance
X2 - Z	-0.102689	0.082007	-1.252203	0.2199	Not significant Negative
X3 - Z	-0.000122	0.000946	-0.128896	0.8983	Not significant Negative
X1 - Y	-0.013755	0.040722	-0.337782	0.7385	Not significant Negative
X2 - Y	0.114544	0.125956	0.909396	0.3722	Not significant Negative
X3 - Y	0.690005	0.001326	0.052006	0.9590	Not significant Negative
Z - Y	0.603749	0.274591	2.198718	0.0378	Significant Positive

Source: Processed Research Data (2020)

The amount of e1 which is the influence of other variables on ROE can be calculated by e1 = $\sqrt{(1-0{,}26)}$= 0.860. The value of e2 is the effect of other variables on PBV calculated by e2 = = 0.331. The amount of the summary table of the path coefficients and the calculations of e1 and e2 above, the structural equation is as follows:$\sqrt{(1-0{,}89)}$

a) Z = 0.076X1 + -0,102X2 + -0,000X3 + 0.860
b) Y = -0.013X1 + 0.114X2 + 0.690X3 + 0.603Z + 0.331

The regression coefficient for the capital structure proxied by DER is 0.076 and t count is 3.170 with a significance of 0.003 smaller than the level of significance (α) = 5% or 0.05. The results of the analysis show that the capital structure has a positive effect on profitability (received)H_1. This means that the first hypothesis proposed in this study is supported and at the same time supports the results of previous research by Resi Yanuesti and Sri Sulasmiyati (2017) which revealed that the capital structure measured by the Debt Ratio (DR) and Debt to Equity Ratio (DER) simultaneously had an effect. Significant to profitability as measured by Return On Assets (ROA) and Return On Equity (ROE). The positive influence of capital structure on profitability shows that financial stability in the

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company is very important to be able to control capital effectively and efficiently and on target.

The regression coefficient for dividend policy as proxied by DPR is -0.102 and the t-value is -1.252 with a significance value of 0.219 which is greater than the level of significance (α) = 5% or 0.05. The results of the analysis show that the dividend policy has no positive effect on profitability (rejected).H_2This contradicts the results of research conducted by Hari Purnama (2018) which states that dividend policy has a positive and significant effect. Dividend policy can be seen from the percentage of dividend distribution itself, if the percentage of dividend distribution is greater, it shows that the company's profits are improving as well as the condition of the company, if the percentage given is smaller it shows that the profits and conditions of the company are weakening.

The regression coefficient for working capital turnover as proxied by WCTO is -0.0001 and the t value is -0.128 with a significance value of 0.898 which is greater than the significance level (α) = 5% or 0.05. The results of the analysis show that working capital turnover has no positive effect on profitability (rejected).H_3This means that the third hypothesis proposed in this study is not supported. This contradicts previous research by I Made Dian and Putu Vivi (2012) which states that working capital turnover variables have a significant positive effect on profitability. This working capital turnover is used to measure business activities against the excess obtained from current assets or current debt as indicated by the number of sales. The availability of sufficient working capital enables a company to operate economically, efficiently and to avoid the company experiencing liquidity problems.

The regression coefficient for profitability as proxied by ROE is 0.603 and the t value is 2.198 with a significance value of 0.037 which is smaller than the significance level (α) = 5% or 0.05. The results of the analysis show that profitability has a significant positive effect on firm value (received).H_4This means that the fourth hypothesis proposed in this study is supported and at the same time supports the research results of Dhewanti Putri (2018) which states that profitability has a significant positive effect on firm value. This shows that the size of the company's profitability can affect the effectiveness of the company; in this case profitability is also considered a valid tool in measuring the results of the company's operations, because profitability is a comparison tool for various investment alternatives that are in accordance with the level of risk.

The regression coefficient for the capital structure proxied by DER is -0.013 and the t-value is -0.337 with a significance value of 0.738 which is greater than the level of significance (α) = 5% or 0.05. The results of the analysis show that the capital structure has no positive effect on firm value (rejected).H_5The results of this study also support the research of Ayu Sri Mahatma and Ary Wirajaya (2013) which shows that capital structure has a negative effect on firm value. In this case the capital structure has the objective of integrating permanent sources of funds which the company then uses in a way that is expected to maximize firm value. For a company it is very important to strengthen financial stability, because the capital structure can cause changes in company value.

The regression coefficient for dividend policy proxied by the DPR is 0.114 and the t value is 0.909 with a significance value of 0.372 which is greater than the significance level (α) = 5% or 0.05. The results of the analysis show that the dividend policy has no positive effect on firm value (rejected).H_6 In this case the value of the company can also be assessed from the results of dividend distribution to the company's shareholders, the higher the dividend distribution shows that the company is running effectively and efficiently, if the company does not distribute dividends at all or distribute it with a small percentage, it shows that the company it's not going well.

The regression coefficient for working capital turnover as proxied by WCTO is 0.690 and the t value is 0.052 with a significance value of 0.959 greater than the level of significance (α) = 5% or 0.05. The results of the analysis show that working capital turnover has no positive effect on firm value (rejected).H_7This contradicts the research results of Radhy Agusentoso (2017) which states that working capital turnover (WCTO) has a positive and significant effect on firm value (PBV). This shows that sufficient working capital turnover allows a company to run well, because working capital turnover starts when it is invested in the working capital component until the investment generates cash back.

V. CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

Based on the results of the analysis and discussion that has been explained regarding the effect of capital structure, dividend policy and working capital turnover on company value with profitability as an intervening variable for property and real estate sub-sector companies listed on the IDX for the period 2014-2018, it can be concluded as follows:

1. Capital structure has a significant positive effect on profitability.
2. Dividend policy has no positive effect on profitability.
3. Turnover of working capital has no positive effect on profitability.

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4. Profitability has a significant positive effect on firm value.
5. Capital structure does not have a positive effect on firm value.
6. Dividend policy does not have a positive effect on firm value.
7. Turnover of working capital does not have a positive effect on firm value.

5.2 Suggestions

Based on the results of the discussion as well as some conclusions in this study, there are suggestions that can be given through this research in order to get better results, namely:

1. The company is expected to maintain the company's financial stability, because by maintaining financial stability the company can provide dividends to shareholders properly and this can affect the effectiveness of the company and maximize the value of the company itself.
2. For shareholders and potential investors, the turnover of working capital can indicate that the company's operations are improving or deteriorating and become a parameter of purchasing decisions for potential investors. For management, working capital turnover must also be maintained and improved because it significantly affects the company's profitability.
3. For further research, it is expected to add other variables as intervening variables or to use other proxies.
4. Research on firm value has many factors, so further research is expected to select other independent variables, such as stock prices.

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