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Factor Influence Analysis of Corporate Value with Firm Size As Moderator Variable in Indonesia Stock Exchange

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Abstract

Corporate value is the representation of people's judgement towards the company's performance in general that usually correlated with stock price. Maximizing corporate value is the main goal of a company. By doing so, it will also improve the prosperity of shareholders. This present study aims to analyze the influence of capital structure, dividend policy, and profitability towards the corporate value by involving firm size as the moderator variable. The subjects are the companies of consumer goods industry sector that has been registered in Indonesia Stock Exchange from 201 until 2016. The result showed that capital structure, dividend policy, and profitability simultaneously have influence towards the corporate value with coefficient of determination (R^2) 20.17%. Thus, moderately, firm size can negatively moderate the correlation between capital structures towards corporate value. However, it cannot moderate the correlation between ldividend policies towards the corporate value.

Keywords: Corporate Value, Capital Structure, Dividend Policy, Profitability, Firm Size

Abstrak

Nilai perusahaan merupakan refleksi penilaian masyarakat terhadap kinerja perusahaan secara keseluruhan yang sering dikaitkan dengan harga saham. Memaksimumkan nilai perusahaan merupakan tujuan utama perusahaan, karena dengan memaksimumkan nilai perusahaan berarti juga memaksimumkan kemakmuran para pemegang saham. Tujuan penelitian ini adalah untuk mengetahui pengaruh strukur modal, kebijakan dividen, dan profitabilitas terhadap nilai perusahaan dengan ukuran perusahaan sebagai variabel moderator pada perusahaan Sektor Industri Barang Konsumsi yang terdaftar di Bursa Efek Indonesia periode 2012 sampai dengan 2016.Hasil penelitian ini menunjukkan bahwa secara simultan Struktur Modal, Kebijakan Dividen, dan Profitabilitas berpengaruh terhadap Nilai Perusahaan dengan nilai koefisien determinasi (R2) sebesar 20,17%. Secara moderasi, ukuran perusahaan mampu memoderasi hubungan secara negatif antara Struktur Modal terhadap Nilai Perusahaan dan tidak mampu memoderasi hubungan antara Kebijakan Dividen terhadap Nilai Perusahaan.

Kata kunci : Nilai Perusahaan, Struktur Modal, Kebijakan Dividen, Profitabilitas, Ukuran Perusahaan.

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INTRODUCTION

The condition of slower economic growth in Indonesia for past few years makes the demand on products much lower. This low demand is usually in accordance with the decrease of people's purchasing power. As the result, the industries producing and providing consumption-oriented goods and services face decrease in income as well as their net profit.

Unfortunately, the condition of decrease in income or net profit triggers investors loose their loyality on certain companies. Once they doubt the company's work on maintaining its business, there will be a possibility of investment withdraw to other companies. In this case, what should be considered by company to maintain their investment from investors including the shareholders, debtholders, and stakeholders is to always create and realize the corporate value of the company (Djaja, 2017:3).

Corporate value can be said as the goal of the company. It is the point that every company will always try to improve or maximize. Corporate value represents how good or bad a company is in managing its financial. It can be seen from the measurement of financial performance (Wiyono dan Kusuma, 2017:69). A well-maintained corporate value is the certainty of the investors towards the company's current performance. Besides, it will also reassure them to invest more in the future. Moreover, a good corporate value results in the welfare improvement of the shareholders. Thus, in this state, the goal of the company can be achieved.

In this study, Price Earning Ratio (PER) is the tool used fo measure the corporate value of a company. PER is utilized as the representation of corporate value as it is one of approaches in fundamental analysis to measure the intrinsic value of a company. That is why it becomes the mostly common measurement used by investors in assessing a company. PER is known as one of significant indicators in capital market. Even, all daily newspapers include PER of most companies in their publication. Furthermore, PER focused on company's net profit is considered as a more accurate way in comparing corporate value of companies and their equity value. This is due to consideration that net profit more likely reflects the company's performance rather than the equity value. Last but not least, PER is significant to be used in a company distributing dividend

(Djaja, 2017:268). This type of company is the one involved in this study. Thus, this study uses PER as the representative of corporate value.

As for the object, this study chooses consumer goods industry as the object. Consumer goods industry is the company that produces goods for consumption. Thus, this industry is one of companies that directly affected by the decrease of people's purchasing power for past few years until now. It is proved by the decrease of PER of cunsomer goods industry for this last two years consecutively. It indicates that this industry's performance also get slower. As the result, the net profit is decrease. The worse is that this condition is responded in a negative way by reducing their shares. This is what makes the average PER of consumer goods industry becomes lower.

This study aims to know to what extend the influence of capital structure, dividend policy, and profitability toward the corporate value stmoultanously or partially as well as to know to what extend the influence of those three aspects toward the corporate value with company scale as the moderator variable. Thus, it is expected that the result of this study can contribute additional knowledge for the development of science on economy and business, especially in the field of financial management. Moreover, it is also expected that this result can be used as additional reference in the decision making on financial matter, particularly relating to company's capital structure, dividend policy, profitability, corporate value, and company's scale

LITERATURE REVIEW

There are several factors that can influence the corporate value of a company. Some of them are capital structure, dividend policy, and profitability. Theoretically, the influence of capital structure towards the corporate value is elaborated in detail in the theories of capital structure. Meanwhile, dividend policy that is measured by Dividend Payout Ratio (DPR) and profitability that is measured by Return On Equity (ROE) mathematically and theoretically has influence toward Price Earning Ratio (PER). Therefore in this study, the researcher used those three variables as the independent variable to examine the influence towards the corporate value with Price Earning Ratio (PER) as the dependent variable.

Capital structure is a form of company's financial proportion that becomes the financial source of the company. It includes long-term liabilities and shareholder's equity. Capital structure of a company can be measured by using capital structure ratio by comparing the long-term liabilities and the shareholder's equity (Fahmi, 2012:184). According to a study conducted by Ur Rehman (2016:40) showed that a company's capital structure has significant effect on the corporate value. It is in accordance with another study conducted Hoque et al. (2014:77). Meanwhile, Mahdaleta et al. (2016:30) stated that capital structure simultaneously has significant influence towards the corporate value yet partially, it has negative significant.

Dividend policy is another important aspect in financial management beside the investment decision and funding decision. Dividend policy is a company's policy concerning the profit sharing to the shareholders according to the amount of capital that was invested (Fahmi, 2012:2). Dividend policy is measured by using Dividend Payout Ratio (DPR). Dividend Payout Ratio is a ration that describes a company's ability to pay out its dividend taken from the net profit (Sirait, 2017:144). In another study conducted by Sorin (2016:107), it can be inferred that dividend policy that is measured by DPR has positive impact towards the corporate company. This statement is supported by Nwamaka (2016:956) and Ochieng (2016:37 that found the same result. In the other hand, Wahyudi et al. (2016:156) stated that dividend policy that is measured by using DPR has positive yet insignificant towards the corporate value.

One aspect that indicates the investor's interest to make investment in a company is the level of profitability of certain company. It measures the company's profit ability that is measured from the amount of profit earned from marketing or investment (Fahmi, 2012:80). In this study, profitability is measured by using Return on Equity (ROE). ROE describes to what extends the company performance in utilizing the resource it has to earn profit from shareholder's equity invested by the investor (Fahmi, 2012:82).

Concerning its influence towards corporate value, Mayogi dan Fidiana (2016:1) described that profitability that is measured by using ROE has positive influence. This result is supported by several studies, i.e. Tabita (2017:63) and Wahyudi et al. (2016:156). Those studies concluded that profitability has significant positive influence towards the corporate

Another factor that also influences the corporate value is firm size. Firm size is a scale that indicates how big or how small the company is. It can be seen from the assets, marketing, and market capitalization in total. In this study, firm size is used as a moderator variable. Moderator variable is variable that may strengthen or weaken the relation of independent variable towards dependent variable. The firm size, in this case, is measured by using natural log of total assets. The total assests is used as a represtation of the company size since its measurement is more stabil rather than other variables. Besides, the use of natural of of total assests is expected that how big the total assest is, it can be simplified without changing the real proportion of total assets.

In a study conducted by Mahdaleta et al. (2016:30), it is found that partially, the firm size cannot moderate the correlation between capital structure and profitability towards corporate value. Conversely, Samlatul (2017:100) claimed that the firm size may negatively moderate (weaken) the correlation of leverage towards corporate value and the correlation of profitability towards the cormporate value.

METHOD

In this present study, the population of the study is the consumer goods industries registered in stock exchange Indonesia in the year 2012-2016. There are about 41 companies distributed in five sub-sectors. Moreover, the sampling technique that is used is nonprobability sampling, particularly purposive sampling in which the sample is selected based on certain criteria or considerations.

The independent variables of this study are the capital structure that is represented by Capital Structutre Ratio, dividend policy that is represented by Dividend Payout Ratio (DPR), and profitability that is represented by Return on Equity (ROE). In the other hand, the dependent variable is corporate value that is represented by Price Earning Ratio (PER). As the moderator variable is the firm size. Firm size in this study is used to moderate the correlation of capital structure towards corporate value and correlation of dividend policy towards corporate value. In this case, the firm size is measured by transforming the total assets earned by a company into natural log.

Thus, the regression that is used in current study is regression of panel data. The formulation is as follows:

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in which

Yit = Variable Of Corporate Value
α = intercept
β1-β3 = Regression Coefficient
X1= Variable of capital structure
X2= Variable of dividend policy
X3= Variable of Probability
ε= Error term
i= data of the company
t= data of time period

As for the regression of moderation, moderated regression analysis (MRA) is used. In its regression equation contains interaction of multiplication of two or more independent variables. It has been mentioned before that the moderator variable is the firm size that may moderate the correlation between capital structure and corporate value as well the correlation between dividend policy and corporate value.

RESULT AND DISCUSSION

The model of panel data that is used in this study is Common Effect Model. This model is chosen to get appropriate result that is in accordance with the objective of this study. It is to know how the influence of independent variables toward the dependent variable without considering the disnguished treatment among individuals or times. In other words, it can be assumed that the company's data remains in the same condition for times. Besides, all companies is considered have the same regression coefficient. Due to this consideration, Common Effect Model is directly chosen without making estimation on other models of panel data.

Moreover, several trials and errors had been performed before concerning the decision making of model of panel data. In this case, it is found that Fixed Effect Model (FEM) is the best model. However, the statistic value of independent variable is not significant at all. Thus, this condition does not in accordance with the underpinning theory, the objective, and the hypothesis of this study even though the determination coefficient (R^2) is high and it meets the classical assumption. This explanation shows that FEM is not suit to be used in this study. Thus, the result of Common Effect Model regression is used instead.

The result of regression of Common Effect Model is displayed in table 1.

Table 1 Regression Coefficient each Variables

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	17.95665	2.934523	6.119094	0.0000
SM	0.109734	0.050711	2.163887	0.0332
KD	-0.044627	0.050152	-0.889826	0.3760
FF	0.154627	0.042607	3.629131	0.0005

Source: Analyzed from primer data

In this case, the intercept value is 17.9567. it means that when the capital structure, dividend policy, and the profitability is 0, then the corporate value is as the same as the intercept value that is 17.9567. Moreover, the regression coefficient of capital structure variable is 0.1097. It indicates that the capital structure has positive influence towards the corporate value. It means that when the capital structure increases 1 unit, ceteris paribus, then the corporate value will increase as 0.1097. In other words, it can be inferred that the hinger the capital structure is, the higer the corporate value is.

Furthermore, the regression coefficient of dividend policy variable is -0.0446. this result showed that dividend policy has negative influence towards the corporate value. Simply, when the dividend paid out increases 1 unit, ceteris paribus, then the corporate value decreases as 0.0446. Thus, the higher the dividend, the lower the corporate value is. As for the profitability, the regression coefficient is 0.1546. It indicates that profitability has positive influence towards the corporate value. Thus, if the profitability increases 1 unit, ceteris paribus, the corporate value will increase as 0.1546. Therefore, the higher the profitability, the higher the corporate value is.

Table 2 The Result of F-Test

R-squared	0.201659	Mean dependent var	22.78789
Adjusted R-squared	0.173809	S.D. dependent var	11.69591
S.E. of regression	10.63100	Akaike info criterion	7.608851
Sum squared resid	9719.554	Schwarz criterion	7.719954
Log likelihood	-338.3983	Hannan-Quinn criter.	7.653654
F-statistic	7.241112	Durbin-Watson stat	1.008681
Prob(F-statistic)	0.000218		

Source: analyzed from primer data

The result of F-test showed that the value of profitability (F-statistic) in the regression is 0,000218. It means that the profitability value (F-statistic) is smaller than the lever of significance significance or α (5%), thus, H0 is rejected and H1 is accepted. Therefore, it can be concluded that capital structure, dividend policy, and profitability simultaneously has significant influence towards the corporate value of companies of consumer goods industry sector registered in Indonesia Stock Exchange year 2012-2016. This result is in accordance with some previous studies Tiewy (2017:63), Tabita (2017:64), in which all those studies found that capital structure, dividend policy, and profitability simultaneously has significant influence towards the corporate value. As for the coefficient of determination (R-squarred) in this regression, the result got is 0.201659 or about 20.17%. This result showed that the contribtion of capital structure, dividend policy, and profitability in elaborating the variation of corporate value is 20.17%. The rest, 79.83%, is the contribution of error variable (ε), other variables that are not analyzed in this study. Kemudian, hasil uji efek moderator dapat dilihat pada Tabel 3 The result of moderator effect test is displayed in Table 3.

Table 3 The result of moderator effect test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-99.62404	58.01564	-1.717211	0.0897
SM	2.912591	1.096691	2.653922	0.0095
KD	-0.012025	0.707804	-0.016959	0.9865
PF	0.138726	0.040851	3.395878	0.0011
UP	4.067215	2.010292	2.015177	0.0471
SM*UP	-0.096444	0.037399	-2.578718	0.0117
KD*UP	0.000825	0.024831	0.033226	0.9736

R-squared	0.362424	Mean dependent var	22.78789
Adjusted R-squared	0.305826	S.D. dependent var	11.69501
S.E. of regression	9.741609	Akaike info criterion	7.465903
Sum squared resid	7881.594	Schwarz criterion	7.680334
Log likelihood	-320.3659	Hannan-Quinn criter.	7.544314
F-statistic	7.531890	Durbin-Watson stat	1.220506
Prob(F-statistic)	0.000002		

Source: Analyzed from primer data

From table 3, it can be seen that the regression coefficient of firm size (β4) is statistically significant because the probability value (0, 0471) is lower than the significant level α (5%). Moreover, the regression coefficient (β5) of moderator variable between firm size and capital structure is also statistically significant since the probability value (0.0117) is lower than the significance level α (5%). Thus, referring to the Table 1, it can be concluded that variable of firm size is categorized as quasi moderator variables in moderating the correlation between firm size and corporate value. It means that firm size is not only as the moderator variable, but also as the independent variable that influences the corporate value.

The coefficient of regression (β5) of moderator variable moderating the firm size and capital structure indicates a negative sign with probability value 0.0117. It means that the probability value of interaction variable is lower than the significance level α (5%). Thus, H0 is rejected while the H1 is accepted. Therefore, it can be concluded that firm size or size of company is able to negatively moderate the correlation between capital structure and corporate value in the companies of consumer goods industry sector registered in Indonesia Stock Exchange year 2012-2016. This result showed that the bigger firm size with bigger amount of capital structure indicated from its long-term debt, the lower the corporate value is. Conversely, the smaller firm size yet with bigger amount of capital structure indicated from its long-term debt, the higher the corporate value is.

Actually, this study can be conducted without involving firm size as the moderator variable. Instead of using it, actually, the regression is directly formulated by dividing the companies into two groups; big company that consists of eight companies and small companies that consist of ten companies.

Moreover, referring to the figure 3, it can be inferred that the coefficient of determination (R-squared) from the regression moderation analysis is 0.352624 atau 35.26%. It increases as 15.09 point from before result, 20.17% got from regression analysis without moderating variable. It means that the firm size can moderate the correlation between capital structure, dividend policy, and profitability towards the corporate value of the companies of consumer goods industry sector registered in Indonesi Stock Exchange.

CONCLUSION

Simultaneously, three variables of capital structure, dividend policy, and profitability have influence towards corporate value. Capital structure has significant positive influence towards corporate value. Meanwhile, dividend policy has insignificant negative influence towards corporate value. As for profitability, it has significant positive influence towards corporate value. According to the result of moderator effect analysis by using Moderated Regression Analysis (MRA) and hypothesis reference, it is found that firm size can moderate negatively the correlation between capital structure and corporate value. However, it cannot moderate the correlation between dividend policy and corporate value.

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