



The Effect of Profitability, Capital Structure and Cash Dividend on Firm Value of Public Non-Financial Companies in Indonesia During the Period Before and During the Covid-19 Pandemic (2018-2021)

Putri Fadhilah Azman¹, Yossi Diantimala², Zuraida³

^{1,2,3} Faculty of Economics and Business, Syiah Kuala University, Banda Aceh

ABSTRACT: This study aims to test and prove empirically the effect of the independent variables namely profitability, capital structure and cash dividends on the dependent variable, namely firm value with liquidity and firm size as control variables. The research method used is quantitative research in the form of a correlational study using firm financial report panel data taken at www.idx.co.id. The sampling technique in this study was purposive sampling with a total sample of 116 non-financial companies listed on the Indonesia Stock Exchange for the 2018-2021 period. The data analysis method used is multiple linear regression using the evIEWS application. The results of the study found that profitability, cash dividends, liquidity and firm size had no effect on firm value in the period before and during the Covid-19 pandemic. Capital structure has an effect on firm value in the period before and during the Covid-19 pandemic. Adjusted R² value shows that 64.7% of firm value can be explained by profitability, capital structure, cash dividends, liquidity and firm size, the remaining 35.3% is influenced by other variables not examined in this study.

KEYWORDS: Capital Structure, Cash Dividend, Firm Size, Firm Value, Liquidity, Profitability.

PRELIMINARY

Corporate value is something that must get attention for the company. Management will always make every effort to increase the value of the company, which has implications for increasing the value of the company, it will increase the prosperity of shareholders and make it easier to get financing for the sustainability of the firm (Adiputra & Hermawan, 2020). Firm value is the investor's perception of the company's level of success, in this case a measure of the success of the company's management performance as seen from its ability to prosper shareholders. The stock price is an indicator to measure the company's success, where market power in the stock market is indicated by buying and selling firm shares in the capital market. The value of a firm that has high value is believed by the market to have good performance and can guarantee the sustainability of the firm and can meet the interests of shareholders in the future, because investors invest their capital in the hope of obtaining economic benefits in the future.

Several companies experienced an increase in profits but were considered unable to prosper investors so that the value of their shares fell, such as PT Solusi Sinergi Digital WIFI (2021). The WIFI firm recorded a 25-fold increase in net profit in 2021 compared to 2020. Profit in 2021 amounted to IDR 24.8 billion, an increase of 2,584% compared to last year of only IDR 924. The WIFI share price in 2021 fell by around 45% compared to 2020 to IDR 330 (CNBC, 2022). However, the firm PT Hero Supermarket Tbk HERO (2021) experienced a loss accompanied by an increase in share prices, because investors thought that the firm could prosper investors well. HERO experienced a net loss of IDR 3.66 trillion, down 25.98% compared to the 2020 period of IDR 4.95 trillion. However, even though the company's performance has fallen, the share price remains in the green zone. HERO's share price strengthened 1.98% to IDR 1,800 per share (Pratama, 2021).

Novel Coronavirus (2019-nCoV or known as Covid -19) is a new virus that has never been identified before in the human body, which is transmitted from animals to humans and was first discovered in the city of Wuhan, Hubei-China (Goh et al., 2021). Goh et al. (2021) continued, clinical manifestations usually appear within two to fourteen days after exposure to the virus. Indonesia has the highest number of affections in Southeast Asia with 1007 deaths with the highest daily death record on 11 July 2022, followed by Russia, India and Brazil (Irawan et al., 2022). The high level of affection for Covid-19 also has an impact on political, social, cultural, defense, security and economic decline including stock market indices, interest rates and exchange rates which attack various corporate sectors (Budiarso et al., 2020; Irawan et al. al., 2022).



The World Bank in 2020 predicts the deepest recession and global economic downturn of 5.2% throughout 2020 (Nose et al., 2020). Before the Covid-19 outbreak, Bank Indonesia predicted real gross domestic product growth would increase in 2020, but Covid-19 forced Bank Indonesia to revise 4.2 - 4.6% of the 2020 budget (Irawan et al., 2022). The average stock index was IDR 6,225.77 compared to December IDR 6,217.98 until August 28 2020, the Disaster Management Agency announced that even Indonesia was in a state of emergency, because, starting in early February 2020, the stock index on the Indonesian capital market began to weaken to IDR 5,855.49 and continued to weaken until August (Budiarto et al., 2020).

The lock-down imposed by the Indonesian government made PT Hero Supermarket Tbk (HERO), which is a giant Indonesian retail company, more scrutinized because the impact of changes in customer spending patterns was large enough to cause the company's performance to drop by IDR 550.88 billion (Irawan et al., 2022). Contrary to the reality on the ground by the HERO company, during the lock-down PT Ultrajaya, which is part of the consumption sector, recorded an increase in net profit of 9.12% and this was accompanied by an increase in share prices to reach the highest peak of 21.30% until August 2020 (Maulana, 2020). PT Unilever, in the year of the 2021 pandemic, experienced a decline in profit, dropping 19.6% and net profit to IDR 5.76 trillion (kompas.com, 2022). However, in 2020 in the midst of the Covid pandemic, Unilever's profits increased by 6.5% but this was not in line with the increase in its share price, which decreased by 4.76% (Saragih, 2020).

The Covid-19 pandemic causes uncertainty, so investors must be careful in making investment decisions by analyzing financial reports (Prayanthi & Budiarto, 2022). Due to caution regarding investment decisions during a pandemic, high firm profits cannot fully attract investors to invest, resulting in low share prices. Conversely, low firm profits are not fully able to reduce investors' interest in buying firm shares that are outstanding, so that they will increase share prices. This phenomenon occurs in large companies in the world such as Amazon and Google.

In many studies and research results, firm value is influenced by several factors including Profitability (Aprilyani et al., 2021; Gunadi et al., 2020; Harahap et al., 2020; Natsir, & Yusnardini, 2019; Simorangkir, 2019; Zuhriansyah & Santoso, 2021). Capital Structure (Chabachib et al., 2019; Ha & Tai, 2017; Hirdinis, 2019; Mubaraq et al., 2020; Natsir, & Yusnardini, 2019; Nisasmara & Musdholifah, 2016; Purwanti, 2020; Putro & Risman, 2021), and Cash Dividend Policy (Adiputra & Hermawan, 2020; Agung et al., 2021; Aprilyani et al., 2021; Kim et al., 2020; Mubaraq et al., 2020; Purwanti, 2020; Sukmawardini & Ardiansari, 2018).

Profitability is an important element in determining the value of a firm (Jihadi et al., 2021; Setyabudi, 2021). Jihadi et al. (2021) conducted research on LQ45 sector companies during the 2014-2019 period and found that high profitability of the firm will increase the stock price of the company. The same is supported by Oktaviani et al. (2022) which states that profitability is an important factor for stakeholders in assessing a company's performance with its profits. However, profitability is not considered important by investors in determining the value of a firm (Pratama, 2021; Putri & Rachmawati, 2017; Sondakh, 2019). Sondakh (2019), who examined financial service sector companies for the 2015-2018 period, stated that profitability was unable to reflect the value of a firm.

Capital structure is a combination of capital between foreign capital and own capital to finance the company. A good capital structure will increase the value of the company, and vice versa. In line with this, previous research stated that capital structure can increase firm value because operational funding using debt can save on the tax burden, so that shareholders get larger net profits (Hirdinis, 2019; Natsir, & Yusnardini, 2019). The cash dividend policy is the company's decision regarding the distribution of dividends to investors and shareholders. This decision is in the form of making retained earnings as a signal for future investment or distributing it in the form of dividends (Agung et al., 2021). Kim et al. (2020) found that companies that apply dividend policies, especially cash dividends, can increase firm value.

This research raises the non-financial sector by comparing the two years before Covid-19 (2018 and 2019) and the two years during the Covid-19 period (2020 and 2021) which distinguishes this research from previous research. Based on the phenomena and research gaps described, the researcher is interested in conducting research entitled "The Influence of Profitability, Capital Structure and Cash Dividends on Firm value in Public Non-Financial Companies in Indonesia During the Period Before and During the Covid Pandemic (2018-2021)."



THEORETICAL BASE

Signal Theory

Signal theory suggests a sign by the firm to investors about how the company's prospects should be viewed (Simorangkir, 2019). Chabachib et al. (2019) in their study stated that signals in this case are related to firm risks and returns as well as firm prospects in the future, so that information in the form of signals provided by companies is very important for investors, because the information that will be provided by management contains management performance in efforts to fulfill the wishes of shareholders.

Signal theory is an important item in influencing investment decisions because the right investment decision will produce optimal performance, so that by giving a positive signal to investors it can have an impact on the firm in the form of increasing stock prices and firm value (Agung et al., 2021).

Agency Theory

Agency theory explains the contractual relationship between the agent and the principal who is bound by a contract, according to what was introduced by (Jensen & Meckling, 1976). Agency conflicts between agents (managers) and principals (shareholders) arise due to differences in interests (Sukarno et al., 2022). Sukarno et al. (2022) continued, managers have more information than shareholders to achieve their interests. In carrying out activities in the company, between agents and principals have differences in obtaining information. Information asymmetry or differences in obtaining information between principals and agents becomes an agency problem that can increase agency costs which can be defined as: (1) monitoring costs borne by the principal to oversee the agent, (2) bonding costs to ensure that all actions of the principal are in accordance with the mechanism for the interests of the principal, and (3) residual loss which is the cost arising from the discrepancy between the agent's actions and the principal's goals (Jensen & Meckling, 1976).

Profitability

Profitability is an important factor in the survival of a company, where the higher the profitability, the easier it is for the firm to attract outside funds for the continuation of its operational activities (Mujino & Adi Wijaya, 2021). Profitability shows the results achieved by the firm in terms of the amount of profits generated by the company, and the profits generated by the firm are a factor that investors can use to predict the company's future (Mujino & Adi Wijaya, 2021).

Profitability is a company's ability to generate profits with Return On Assets (ROA) as a proxy for its measurement (Gunadi et al., 2020). ROA is able to measure a company's ability to generate profits in the past and then project it into the future (Gunadi et al., 2020). Return on equity (ROE) has a positive and significant effect on PBV so companies need to pay attention to and continue to increase ROE by developing prospects for activities in order to increase profits. The biggest probability value is ROE when compared to other independent variables. Therefore ROE can be used as a predictor in predicting firm value (Lubis et al., 2017).

Profitability and dividend policy have a significant positive effect on firm value, while capital structure and firm size have no effect on firm value. Firm management must pay attention to the profitability and dividend policy of the firm as well as the factors that can affect profitability and dividend policy. This is because profitability and dividend policy have proven to have a significant effect on firm value so that they can provide a signal for investors (Sintyana & Artini, 2018).

H1: There is a positive influence between profitability and firm value

Capital Structure

Companies in running their business need funds both from internal (share capital, retained earnings, and reserves) and external (debt). Companies with large business developments require large sources of funds, so additional funds are needed from external parties for long-term business development (Purwanti, 2020), because long-term business development is favored by investors and creditors for their prosperity.

One of the reasons for the importance of making financial decisions is that in the end, companies need funds to meet their operational and expansion needs, both internal and external, so companies need to carry out good debt structuring (Putro & Risman, 2021). The capital structure of a firm is a mixture of sources that finance it (Hirdinis, 2019; Ullah et al., 2020). Chabachib et al. (2019) describe the capital structure as a balance between the amount of debt and equity of the company, so that a high capital structure means a high level of debt, so that the interest paid also increases.



Capital structure is an important decision for a company's business because it relates to risks and rewards (Ullah et al., 2020). If firm managers make irrational decisions by collecting models with debt, the company's cost of capital will increase, the stability and survival of the firm will decrease, and will have an impact on decreasing the value of the firm (Ullah et al., 2020). The capital structure in this study is measured using the Debt to Equity Ratio (DER), which is a comparison of the total debt owned by the firm to the total capital of the firm (Purwanti, 2020). Total debt is both short-term and long-term debt, while capital is the total capital invested by stakeholders (Purwanti, 2020).

The results of Lisda and Kusmayanti's research state that there is a positive and significant effect of capital structure and firm size on firm value with an influence contribution of 65.4%; There is a positive and significant effect of capital structure on firm value with an influence contribution of 80.9%; There is a positive and significant effect of Firm Size on Firm value with an influence contribution of 10.4% (Lisda & Kusmayanti, 2021).

H2: There is a positive influence between capital structure and firm value

Cash Dividend

Dividend policy is a company's decision to distribute profits obtained at the end of the year in the form of dividends or to hold them as a form of retained earnings to finance future investments (Agung et al., 2021). Dividends in Purwanti's study (2020) are the distribution of profits given by companies issuing shares for the profits earned. Dividends can be used by companies as a reward for investors so that firm value reaches the maximum limit, because dividend policy is one of the important managerial policies and has been examined extensively in the financial literature (Kim et al., 2020).

Dividend policy, especially cash dividends according to Agung et al. (2021), is a signal for shareholders and stakeholders regarding the condition of the company. Cash dividends provide direct benefits to shareholders because they are distributed in cash (Nurchaqiqi & Suryarini, 2018), so information about dividend distribution in the form of cash is very supportive in increasing the value of the company. Supporting this, Mujino & Adi Wijaya (2021) continued, dividends provide information or signals about firm profits, so that investor confidence will increase in firm profits and stability. Therefore, according to signal theory, dividends are an important signal that can be distributed by companies for future prospects, namely good cash flow, so future prospects will also be good, so that dividends increase (Agung et al., 2021).

Some investors want share distribution that can satisfy them, so that a good dividend policy can increase firm value (Agung et al., 2021), but cash dividends that can be felt directly by shareholders are more attractive and better at increasing firm value (Nurchaqiqi & Suryarini, 2018). However, the cash dividend policy is a policy that requires quite high cash costs because there is a need to provide sufficient cash funds in dividend financing (Mujino & Adi Wijaya, 2021). But behind that, Mujino & Adi Wijaya (2021) continued, paying dividends can help attract investors to seek dividends and this helps maintain firm value.

The cash dividend policy is proxied by the Dividend Payout Ratio (DPR), which is a ratio or percentage of each profit earned and distributed to shareholders in cash (Purwanti, 2020). The results showed that (1) profitability has a positive effect on firm value. High profitability can increase the value of the company; (2) leverage has a positive effect on firm value. High leverage is used to control free cash flow; (3) dividend policy has a positive effect on firm value, because high dividends are able to return investors' capital; and (4) firm size has no effect on firm value. The size of this firm has no effect because the object of this research is the LQ-45 index where the listed companies are companies that have high capitalization and trading volume, so that the size of the firm does not affect the value of the firm (Suffah & Riduwan, 2016).

The results show that the profitability ratio proxied by Return on Assets (ROA), liquidity proxied by the Current Ratio (CR), dividend policy proxied by the Dividend Payout Ratio (DPR), and firm size proxied by the natural logarithm of total assets have an effect on value company, while leverage proxied by the Debt to Equity Ratio (DER) has no effect on firm value (Oktaviarni et al., 2019).

H3: There is a positive influence between cash dividends and firm value

Liquidity

Liquidity describes how liquid or how timely the firm can pay off its current liabilities in a timely manner (Chabachib et al., 2019). Liquidity is an important ratio for a firm because the more liquid a firm is, the more liquid assets the firm has, which means that the firm is far from bankruptcy. Supported by (Harahap et al., 2020), companies with high liquidity have high cash flow to influence shareholders.



A liquid firm will attract investors and creditors to invest in the company, so that the company's survival is guaranteed. Supporting this, Harahap et al. (2020) explains, a firm is considered successful if an increase in firm value is followed by investor confidence to provide funds to the firm in the form of the company's liquidity level.

Liquidity is proxied by the Current Ratio which describes the company's ability to meet its current obligations (Chabachib et al., 2019). The Current Ratio indicates a level of security because it reflects the ability to process accounts payable, inventories, securities (Harahap et al., 2020). The results of the study using 15 food and beverage companies listed on the Indonesia Stock Exchange show that the variables of liquidity and profitability have a positive and significant effect on the variable value of the company.

H4: There is a positive influence between liquidity and firm value

Firm Size

Firm size is measured by total assets owned because total assets are considered more stable and can better reflect firm size (Chabachib et al., 2019). The size of a large firm besides having large assets also has a large need for funds to maintain its operational activities and the greater the assets owned by the firm will influence management decisions in deciding what funding to use in the firm (Purwanti, 2020).

Large companies have good capacity in running a business, so that it will attract investors to invest in these companies (Chabachib et al., 2019). A large firm size also reflects that the firm is experiencing good growth and will have an impact on the views of stakeholders towards the firm (Purwanti, 2020).

Firm size is interpreted as a positive ratio for investors and has good prospects, where the number of assets owned by the firm makes it easy for management to control the company, there by increasing the value of the firm (Chabachib et al., 2019). In addition, companies with larger sizes enjoy the benefits of economies of scale which have a more positive impact through profitability and will create increased market capitalization (Hansda et al., 2020).

The results of Muharramah and Hakim's research which examined all companies in the property, real estate and construction sectors listed on the Indonesia Stock Exchange (IDX) for the 2016-2019 period with the sample tested were 8 companies selected by purposive sampling technique. In this study, the research results showed that firm size affects firm value. Meanwhile, leverage and profitability do not affect firm value (Muharramah & Hakim, 2021).

H5: There is a positive influence between firm size and firm value

RESEARCH METHODS

The population is a group of people, events, or interesting things that are investigated to make conclusions (Sekaran & Bougie, 2016). In this study, the population used is Non-Financial Companies listed on the Indonesia Stock Exchange in the period 2018 – 2021. The sample is part of the population consisting of several members selected from the population elements (Sekaran & Bougie, 2016). The sampling technique used in this study was purposive sampling. The sampling criteria used for this research are as follows: (1) Non-financial companies that are listed on the Stock Exchange Indonesia in the 2018-2021 observation period. (2) Non-financial companies that distribute cash dividends during the period observations 2018-2021. (3) Non-financial companies that use the rupiah during observation period 2018-2021.

Secondary data that has been collected in this study will be analyzed with the help of the Eviews 12 program which aims to predict the average population and the average value of the dependent variable. To see the effect of the studied variables on firm value, the researcher uses panel data regression analysis with the equation regression as follows:

$$Y_1: \alpha + \beta_1(ROA) + \beta_2(DER) + \beta_3(DPR) + \beta_4(CR) + \beta_5(SIZE) + e$$

Information:

Y : Firm value

α : Constant

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$: Regression coefficient

X1 : Profitability (ROA)

X2 : Capital Structure (DER)

X3 : Cash Dividend (DPR)



X4 : Liquidity (CR)
X5 : Firm Size (SIZE)
e : standard error

RESEARCH RESULTS

The research sample obtained the results of the number of observations from 2018 to 2021 as many as 116 samples. Description of the variables in this study include the mean or average, standard deviation, minimum value, maximum. Calculations are made for all companies in all years with the following calculation results:

Descriptive Statistical Analysis

Table 1. Descriptive Statistics Results

	PBV	ROA	DER	DPR	CR	SIZE
Means	2,071	0.074	1,149	0.027	2,606	29,290
Median	1.113	0.056	0.662	0.326	1,824	29,290
Maximum	56,791	1,192	78,608	11,643	12,768	33,537
Minimum	0.005	-1,447	0.001	-2,078	0.234	23,607
std. Dev.	3,828	0.137	3,748	9,727	2.152	1,621
Skewness	9,495	0.385	19.133	-2,111	2,027	0.040
kurtosis	117,512	55,294	394,863	451,819	7,623	3,037
Jarque-Bera	260492,7	52882.49	2997083	3928954	731,033	0.152
probability	0.000	0.000	0.000	0.000	0.000	0.926
sum	961,118	34,605	533,264	12,857	1209,284	13590.77
Sum Sq. Dev.	6788,146	8,793	6504,846	43809.66	2144,225	1217,999
Observations	464	464	464	464	464	464

Source: Eviews output, 2023

Normality Test Results

Following are the results of the normality test in this study using the JB (Jarque-Bera) statistical test:

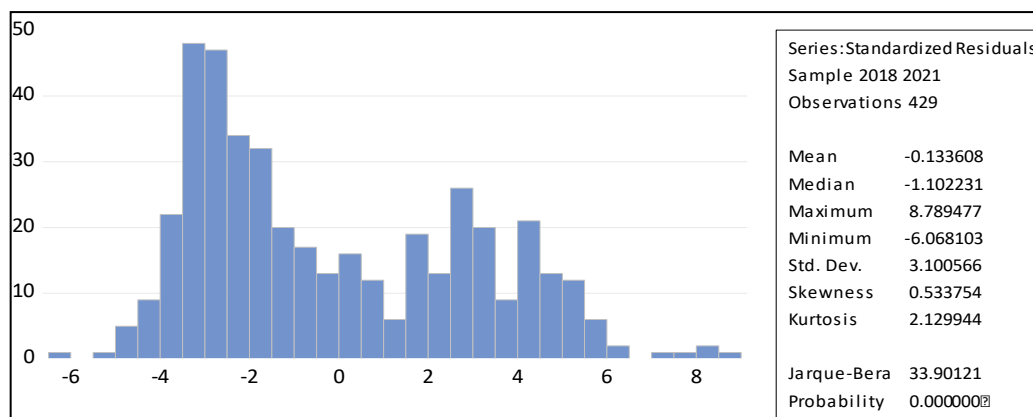


Figure 1. Graph of Normality Test Results

Source: Eviews output, 2023.



Multicollinearity Test Results

The following are the results of the multicollinearity test as shown in table 2:

Table 2. Multicollinearity Test Results

	ROA	DER	DPR	CR	SIZE
ROA	1,000	-0.085	0.029	0.101	-0.041
DER	-0.085	1,000	-0.010	-0.157	0.069
DPR	0.029	-0.010	1,000	0.020	-0.056
CR	0.101	-0.157	0.020	1,000	-0.365
SIZE	-0.041	0.069	-0.056	-0.365	1,000

Source: Eviews output, 2023.

Heteroscedasticity Test Results

The following are the results of the heteroscedasticity test as shown in table 3:

Table 3. Heteroscedasticity Test Results

Variables	coefficient	std. Error	t-Statistics	Prob.
C	1,416,343	9,149,591	1,547,985	0.1225
ROA	0.504462	0.972645	0.518650	0.6043
DER	0.008423	0.035902	0.234595	0.8147
DPR	0.007030	0.012514	0.561762	0.5746
CR	0.010079	0.120565	0.083597	0.9334
SIZE	-0.435078	0.311516	-1,396,645	0.1634

Source: Eviews output, 2023.

Hypothesis Test Results

Testing the structural stage of the model was carried out to test the hypothesis that the independent variables affect the dependent variable using the fixed effect model. The test results are as follows:

Table 4. Multiple Linear Regression Results Fixed Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	18.03731	9.119685	1.977843	0.0487
ROA => PBV	-0.027399	0.969466	-0.028262	0.9775
DER => PBV	0.464846	0.035785	12.98992	0.0000
DPR => PBV	0.001826	0.012473	0.146403	0.8837
CR => PBV	0.063989	0.120171	0.532485	0.5947
SIZE => PBV	-0.568955	0.310498	-1.832395	0.0678
Root MSE	1.954430	R-squared		0.738900
Mean dependent var	2.071377	Adjusted R-squared		0.647553
S.D. dependent var	3.828998	S.E. of regression		2.273170
Akaike info criterion	4.699626	Sum squared resid		1772.385
Schwarz criterion	5.779208	Log likelihood		-969.3132
Hannan-Quinn criter.	5.124589	F-statistic		8.088939
Durbin-Watson stat	2.088743	Prob(F-statistic)		0.000000

Source: Eviews output, 2023.



DISCUSSION

Effect of Profitability on Firm Value

The results of the study show that profitability has no significant effect on firm value. This is obtained based on the probability significance value of $0.9775 > 0.05$ which means reject H_0 . The results of this study are in line with previous studies which state that profitability has no effect on firm value (Pratama, 2021; Putri & Rachmawati, 2017; Sondakh, 2019).

Profitability has no effect on firm value, this could be because the profit ratio is no longer a priority for shareholders who pay attention to the company's performance as a whole. Based on this reason, high profitability cannot increase firm value and vice versa. The better the company's profitability growth rate means that the company's future prospects are assessed to be better, meaning that the company's value will also be assessed to be better in the eyes of investors. If the company's ability to generate profits increases, the stock price will also increase (Rahayu & Fatmala, 2020).

The results of this study are in line with Muharramah and Hakim's research which examined all companies in the property, real estate and construction sectors listed on the Indonesia Stock Exchange (IDX) for the 2016-2019 period. The sample tested was 8 companies selected by purposive sampling technique. In this study, the research results showed that firm size affects firm value. Meanwhile, leverage and profitability do not affect firm value (Muharramah & Hakim, 2021). Likewise, the results of Palupi and Hendarto's research found that there was a significant influence from dividend policy, debt policy and profitability on firm value together. Meanwhile, partially profitability does not affect the firm value of the property and real estate sub-sector (Palupi & Hendarto, 2018).

If a manager is able to manage the firm well, the costs incurred by the firm will be smaller so that the resulting profitability get bigger. The size of this profit will affect the value of a company. The better the profitability growth means the company's prospects in the future are considered to be even better, meaning the better the company's value in the eyes of investors. This profitability relates to the company's ability to produce profit in a certain period so that to measure it used profitability ratios.

Signal theory has a relationship with the variable Profitability, namely when a firm with a high level of profitability will use its financial information to send signals to the market. The financial statements of companies that have a high level of profitability show good prospects for the company, so that investors will respond positively to these signals and the value of the firm will increase.

The agency theory assumes that all individuals act in their own interests. Shareholders as principals are assumed to be only interested in increased financial results or their investment in the company. Meanwhile, the agents are assumed to receive satisfaction in the form of financial compensation and the conditions that affirm the relationship. Agency theory is a consequence of the separation of the control function (management) from the ownership function (shareholders). Agency theory focuses on the relationship between two conflicting economic actors, namely principals (shareholders) and agents (managers).

Agency relationships can cause problems when the parties concerned have different goals. Owners of capital want increased wealth and prosperity for the owners of capital, while managers also want increased welfare for managers, resulting in a conflict of interest between the owner or principal (investor) and the manager (agent).

Based on agency theory, if the firm is good, then the stakeholders consisting of creditors, suppliers, and investors will see how far the firm can generate profit from the company's sales and investment. Good firm profitability will also increase firm value. Companies that have high profitability and are successful in recording increasing profits will show that the firm is performing well, so that it will create a positive response to shareholders and make the company's stock price increase. High profitability also shows good firm prospects, so that it will create positive sentiment for shareholders and increase firm value. Increasing profitability means that the company's value will be good in the eyes of investors.

Profitability may not have a significant impact on increasing the value of the company, which requires the firm to think about other signals in order to increase its value. Although signals can be used to increase profitability derived by agency theory, the main goal and focus of investors is not only on profitability to increase firm value. Profitability is a company's ability to make a profit in a certain period, as well as being a measure of the overall operational effectiveness of the firm. The profitability ratio shows the company's ability to generate income and costs in one period (Jihadi et al., 2021). Jihadi et al. (2021) continued, the profitability ratio shows how well a firm uses its assets to generate profits and value for shareholders.

Profitability in the new era during Covid-19 and after Covid-19 is no longer an important ratio that investors look at for making investment decisions. This is proven by not only companies that sell food and beverages that receive capital to continue



operating (in the form of investing in shares), considering that these companies triumphed when there was a government appeal not to be allowed to do activities outside the home. This confirms that investors do not only pay attention to profitability as the main financial performance to increase firm capital by buying shares. According to Sondakh (2019), profitability cannot reflect the value of a company. Looking at agency theory, conflicts of interest that occur within a firm can reduce profitability, so that it can have an impact on firm value. The main factor assessed for decision making in the form of increasing firm value is not focused on profitability. However, signal theory that publishes information on the company's financial performance can reduce the information asymmetry that exists in agency theory. Present signal theory For give clarity Andreduce asymmetry information between manager And investors (Chabachib et al.,2019).

Effect of Capital Structure on Firm Value

The results of this research show that the capital structure has a positive effect on firm value. This is obtained based on the probability coefficient value of $0.0000 < 0.05$, which means that H_0 is accepted. This result is not in line with previous studies which state that capital structure has no effect on firm value (Chabachib et al., 2019; Ha & Tai, 2017; Mubaraq et al., 2020; Putro & Risman, 2021).

Furthermore, the results of this study by Lisda and Kusmayanti with their research stated that there was a positive and significant effect of capital structure and firm size on firm value with an influence contribution of 65.4%; There is a positive and significant effect of capital structure on firm value with an influence contribution of 80.9%; There is a positive and significant effect of Firm Size on Firm value with an influence contribution of 10.4% (Lisda & Kusmayanti, 2021). The capital structure is a funding that is used with long-term debt, preferred stock and shareholder (investor) capital. Increasing the capital structure will have an impact on increasing the value of the company. Signaling theory or Signaling Theory states that capital structure is a signal conveyed by managers to the market. The capital structure is very important for companies to increase the value of the company. This is because the capital structure leads to funding using long-term debt. If the firm can be able to take advantage of its long-term debt to finance or fund its assets, then the assets in the firm experience progress and improvement so as to make investors without thinking twice about buying their shares.

Policies in managing the company's capital structure so that it is balanced is the main concern of investors. Investors who prioritize going concern objectives will pay attention to the balance of the company's capital and debt, as well as creditors. Creditors will monitor the capital structure ratio to be able to predict whether the firm can repay its debts or not. A good capital structure will increase the value of the firm in the eyes of creditors. The capital structure describes the balance of debt and firm capital (Chabachib et al., 2019).

Investors are attracted to companies that are able to develop their business for the long term. To achieve this target, the firm must be able to control capital in a balanced manner, so that it does not need to exceed the specified debt ratio. The capital structure dominated by very risky debt (Ullah et al., 2020) is the initial basis for why managers are forced to make rational decisions that can benefit all parties, such as choosing to issue shares to increase funds. Capital structure can also be used as a trigger for conflicts of interest in agency theory. Thus, the company's capital structure affects the selling price of shares and firm value for the company.

The capital structure is also a major concern in the era of the Covid-19 crisis that the firm is experiencing. A good capital structure during the Covid-19 pandemic is an added value for reasons why investors should invest in these companies. Investors want a healthy firm to achieve their goals, the firm must also carry out healthy financial activities so that its goals are achieved. If firm managers make irrational decisions by collecting capital with debt, the company's cost of capital will increase, the stability and survival of the firm will decrease, and this will have an impact on decreasing the value of the firm (Ullah et al., 2020).

A good financial structure can reduce conflicts of interest in accordance with agency theory predictions, so there is no need for agency costs that can reduce operational activities. Signals in the form of a good capital structure can increase the age of the firm by increasing the value of the company. Therefore, whether the company's capital structure is healthy or not will affect the value of the company. In theory, the larger growth opportunity agency has more flexibility to invest optimally. Growth opportunity is an attempt to manage money by investing the money in certain areas with the hope of getting profits in the future. Therefore, based on agency conflicts, companies with high growth opportunities will also have relatively high debt. While the signal theory



has an important influence on the optimal capital structure that can emerge two perspectives of managers about the prospects of corporate profits.

Effect of Cash Dividends on Firm Value

The research results show that cash dividends have no effect on firm value. This is because the probability value is $0.8837 > 0.05$ which H_0 is rejected. This is in line with previous research which states that cash dividends have no effect on firm value (Aprilyani et al., 2021; Hansda et al., 2020; Sukmawardini & Ardiansari, 2018).

Cash dividends have no effect on firm value. Investors think that the distribution of dividends in the form of cash can hamper the company's financial performance and operations due to a lack of cash in the company. Cash shortages can also lead to debt or asset sales, which will have a negative impact on firm value. Based on this reason, dividends in the form of cash are not able to reduce or increase the value of the company. Dividends are profit sharing given by the firm to its investors for the funds that have been invested in the company. Dividends are distributed by the firm in the form of cash or shares. Cash dividends provide direct benefits to shareholders because they are distributed in cash (Nurchaqqi & Suryarini, 2018).

Dividend policy is a policy regarding decisions taken by companies regarding profits earned whether to be distributed to shareholders as dividends or stored in the form of retained earnings to finance the company's investment in the future. If the dividend paid is high, it is considered that the firm has good prospects for profit levels, conversely, a decrease in dividend payments is considered a prospect for unfavorable profit levels, so the high rate of dividend payments will increase the value of the company.

In the signal theory (dividend signaling theory) states that dividends are needed by shareholders to obtain positive information from managers who have complete information about the actual financial condition. Cash dividends can be seen as a signal for investors to be more confident with expectations of future profitability. The investment resulting from the dividend policy has positive information about the firm in the future, which in turn has a positive impact on firm value. An increase in dividends is a signal that the firm predicts a good income in the future. Conversely, a decrease in dividends or an increase in dividends that are below the normal increase (usually) is believed by investors as a signal that the firm is facing difficult times in the future (Muharramah & Hakim, 2021). Signal theory states that if a firm pays high dividends it will give a signal to investors to invest in the company, because investors think that high dividends will provide high profits in the future. Social distancing policy which resulted in decreased investor interest in cash dividend policies. The regulation that requires the government to stay at home causes the focus of investors to scatter, so this is not a lucrative thing anymore. Thus, the cash dividend policy is not able to increase the firm value.

The dividend policy in the form of cash is a policy that requires quite high cash costs because there is a need to provide sufficient cash funds in dividend financing (Mujino & Adi Wijaya, 2021). Cash funds in the firm should be able to be used to expand its operations for the purpose of going concerned. If the company's cash supply runs low, and the firm has to incur high cash costs, then the company's performance will be poor and investors will switch to buying shares of other companies that have good financial performance.

Agency theory according to Jensen & Meckling (1976) explains relationship between shareholders and firm management described as an agency relationship between the principal (the holder shares) and agent (management). Agency relationship occurs when the owner (principal) employs another person (agent) to provide a service and then entrusts the retrieval authority decision to the agent to act in accordance with the interests principal. Agency conflicts that may occur within the firm require the firm to pay agency fees. With the existence of high agency costs, companies that carry out dividend policies in the form of cash will experience a decline in financial performance due to a lack of cash funds that should be used to cover operational expenses.

In carrying out firm operations, management (agent) often has other goals that conflict with this main goal, namely not to prosper stockholders, but to increase their own welfare, for example, namely expansion to improve status and salaries by imposing various costs on the company. Separation ownership and control function in this financial function can resulting in the emergence of levels of different interests/conflicts that arise called agency conflict or agency conflict. Agency theory is the difference in interests between principals (shareholders) and agents (management) regarding dividend policy. Where the principal hopes that the dividends to be distributed are high, meanwhile the agent hopes that the dividend that will be distributed is small, because the agent wants it retain profits to be used to pay debts or increase investment (Putri & Andayani, 2017).



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