TECHNIUM
SOCIAL SCIENCES JOURNAL

Vol. 10, 2020

A new decade for social changes

www.techniumscience.com

ISSN 2668-7798

Technium Social Sciences Journal
Vol. 10, 299-311, August 2020
ISSN: 2668-7798
www.techniumscience.com

The Indirect Impact of Profitability on Firm Value: Evidence Dividend Policy as Moderators and Capital Structure as Mediator

Achmad Budi Susetyo[1], Agus Eko Sujianto[2*], Mochamad Arif Faizin[3], Kiki Yunita Anjarsari[4], Charina Dwi Rivylina Nafisah[5]

[1,4,5]Magister of Sharia Economics, Institut Agama Islam Negeri Tulungagung, Indonesia, [2,3]Institut Agama Islam Negeri Tulungagung, Indonesia

agusekosujianto@gmail.com

Abstract. Firm value is a basis for investors in deciding whether or not to invest in a firm. Therefore, a study on issuer's strategies to maximize firm value requires special attention, especially in dealing with the Islamic capital market which is growing rapidly from time to time. A particular study is important to be conducted to look at the factors that have a direct or indirect effect on a firm's value, which includes; profitability, capital structure, and dividend policy. The path analysis approach is employed in the current study to reveal the effect of profitability on firm value, both directly and indirectly, with the intermediaries of capital structure and dividend policy. The results of the analysis indicate that profitability has a direct positive and significant effect on firm value and a negative and significant effect on capital structure, while the capital structure has a negative and insignificant effect on firm value. Indirectly, dividend policy moderates and strengthens the effect of profitability on firm value, but on the other hand, the capital structure does not mediate the effect of profitability on firm value. The absence of capital structure role in mediating the relationship between profitability and the firm value indicates that investors can determine the value of the firm directly by simply looking at the level of profitability, regardless of management's strategy in arranging the capital structure.

Keywords. Profitability, capital structure, dividend policy, firm value

1. Introduction

The development of the Islamic capital market in Indonesia has increased significantly from time to time. Based on data published by the Financial Services Authority (OJK), it is known that there has been a significant jump in the development of Islamic issuers from year to year. This rapid development can be observed from the 120 per cent leap since the sharia securities began to be traded on the Indonesia Stock Exchange (IDX) in 2007. This indicates the shifting perspective from issuers on the types of securities traded in the capital market, in which sharia securities are seen as providing more values that it can cover a broader investor, both non-Muslim and Muslim. However, issuers incorporated in the Islamic capital market are put under pressure due to the rapid level of competition as a result of the increasing number of issuers that compete in the market, particularly in the property, real estate, and building construction sectors. This can be seen in the data of Sharia Security List (Daftar Efek Syariah -

DES) published by OJK which showed that the property, real estate, and building construction sector occupy the second-highest level of competition with a percentage of 15.23 per cent (OJK, 2018). The significant increase in property, real estate, and building construction, is related to the Ministry of Public Works and Public Housing program in 2019 on the development of Water Resources, Bina Marga, Cipta Karya, and Housing which displayed steady growth from the previous years that this sector is seen as a more promising sector in the future (Ministry of Public Works and Public Housing, 2019).

Firms incorporated in the sector generally placed special attention on their firm value. This is because the firm value is the main indicator that represents the investor's welfare as the source of funding that has the greatest impact on firm finance (Hermuningsih, 2012). The firm value that reflects investor's welfare has a high degree of complexity in its formation process, in which diverse factors must be considered by the firm to generate maximum firm value. One of these factors is related to the policy on the use of firm profits. This is in line the theory of Irrelevance Dividend, in which Modligani and Miller (1961) state that the higher the level of profits the firm obtained, the higher is the firm value. Additionally, there is other evidence which shows that firm policy also have a significant impact on the firm value. This is consistent with the theory developed by Brighram and Houston (2016) which states that all forms of firm policy will have an impact on the firm's prospects. Based on this discussion, it can be seen that high profits do not have a direct impact on firm value. Instead, the firm value depends on how the firm manages its profits, prepares policies concerning capital structure and policies related to dividends which directly affects their investors.

The existence of capital structure as an intermediary factor that affects the relationship between profitability and firm value is inseparable from Brigham and Houston's theory, which states that "the level of profit generated by a firm influences the decision-making techniques employed in composing firm's capital structure following Pecking Order Theory which states that, a healthy firm with high profits tends to use its capital in the form of retained earnings and firms with poor prospects tend to issue new shares" (Brighram and Houston, 2016). According to Brighram and Houston (2016) through Signaling Theory, the issuance of new shares indicates that the firm has an unfavorable financial condition, and tends to make the market pessimistic, resulting in the decrease in the firm's value.

Furthermore, dividend policy holds equal importance in maximizing firm value from the investor's point of view. This is mainly because dividend payments made by the firm will indicate whether the firm has a good future profit prospect (Brigram and Houston, 2016). Therefore, due to the good profit prospects, from the investor's side of view, firms can provide high dividends, so that the welfare of investors increases and positively increase firm value in the public eye. This follows the Bird in Hand Theory which states that the application of high dividend payment policies can maximize the value of the firm in the public eye (Gordon, 1962).

Based on these disclosures, it can be seen that policies concerning the design of the capital structure and dividend distribution have a significant share in shaping good firm value in the eyes of investors. Therefore, profitability might not have a direct and significant influence on firm value and instead, it must first affect the formation of firm policies in preparing capital structure and the distribution of appropriate dividends. For that reason, further studies such as this research are needed. The focus in this study is on the discussion of the following problem formulation: (1) How does profitability affectfirm value?, (2) How does capital structure affect firm value?, (3) How does profitability affect capital structure?, (4) Can dividend policy moderate the effect of profitability on firm value?, and (5) Can capital structure mediate the effect of profitability on firm value?

Technium Social Sciences Journal
Vol. 10, 299-311, August 2020
ISSN: 2668-7798
www.techniumscience.com

2. Literature Review

Brigham and Gapenski (2010) in their statement explain that profitability is the result of all forms of policies taken by the firm. Thus, profitability is a firm's ability to provide net profit in one accounting period. There are several measurement methods in estimating the profit value of a firm, including the Return on Asset (ROA) approach. The ROA has the highest level of sensitivity in calculating the firm's returns/profits, also, ROA is a performance measurement tool from firm management that is sensitive to any changes in corporate finance (Susanto, 2005). Additionally, the relationship between profitability and firm value is reflected through the Irrelevance Dividend Theory, which illustrates that profitability influences firm value (Modligani and Miller, 1961). Besides profit as a shaper of a firm's value, capital structure is also a policy step that provides a direct impact on the utilization of profits to maximize the value of the firm.

Capital structure is the point of intersection or balance of the ratio between capital owned by outsiders (outside the firm) and own-owned capital (within the firm). But according to Brigham and Houston (2016) capital structure is a group of corporate capital consisting of debt, preferred stock, and common stock equity. Also, there is another opinion from Modligani and Miller who state that the capital structure is a composition of unity between debt and equity in a firm (Barrarualo, 2011). Based on the opinion of Modigliani and Miller, there is one technique to measure the level of the capital structure under the theory using the Debt Equity Ratio (DER) analysis technique. This is because, in addition to the theory of Modigliani and Miller on the definition of capital structure, DER is a measurement tool that reflects the amount of equity that can be used as collateral for debts owed by the firm (Fahmi, 2017). This is quite important for investors, given the higher the value of DER, the riskier it is to invest in the firm. Also, capital structure is directly related to firm value, this corresponds with the discussions from MM Theory, Trade-Off Theory, and Agency Theory (Barrurualo, 2011).

Besides policies related to capital structure, the distribution of dividends to investors also provides an indication of good welfare for investors in the firm. Dividend distribution has the effect to rise share prices, which in turn, increases the value of the firm rapidly (Brigham and Houston, 2016). Dividends are the share of profits from a limited liability firm’s after-tax (last year or current year) in the form of real assets distributed to shareholders according to the proportion of the amount of capital invested by these shareholders (Frankfuther and Wood, 2003). On the other hand, dividend policy is expressed as a pattern and size of dividend payment amount distributed to shareholders (Barraruelo, 2011). The effectiveness of dividend policy, in general, can be measured by the dividend payout ratio approach. Dividend Payout Ratio is a measure of the ratio of the level of net income distributed as dividends to the firm's total net income. Dividend Payout Ratio (DPR) is a measurement of dividend policy that is more stable compared to other forms of measurement, this is because the DPR uses a pure calculation element from the fundamental part of the firm, without being integrated to the technical elements such as stock prices with fluctuating values (Frankfuther and Wood, 2003). Aside from that, the linkage of dividend policy to firm value is strengthened by theoretical approaches from Bird in Hand Theory (Gordon, 1963), Relevance Dividend (Sterk and Vandeberg, 1990), Signaling Dividend Theory Model Bathacharya (Bathacarya, 1979), and Agency Theory (Barruruelo, 2011).

Firm value is the price that creditors are willing to pay when the firm is sold. Firm value is a form of investor perception of a public firm, where firm value is often associated with stock prices in the capital market (Fakhrudin and Hadianto, 2012). Based on the linkage, the value of the firm can be seen from the condition of the shares. Three approaches can be used to mathematically measure stocks; market value, book value, and intrinsic value (Jogiyanto,

Technium Social Sciences Journal
Vol. 10, 299-311, August 2020
ISSN: 2668-7798
www.techniumscience.com

2003). One of the best approaches that can be applied to measure firm value is intrinsic value, which can be calculated using PBV (Price Book Value). The PBV (Price Book Value) estimation model reflects the relationship of the stock market price to the book value (Jones, 2000). By using PBV, the existence of market value and book value can be included in one calculation, maximizing the results of the analysis. In this case, the higher the value of the firm, the higher the good value that the firm can create in the eyes of investors (Suharli, 2012). Besides that, PBV's advantage in estimating firm value is also due to its ability to predict whether a stock price is undervalued or overvalued so that investors can make the right decisions in investing (Fakhrudin and Hardianto, 2012).

3. Methodology

3.1 Population and Sample

The population in this study is a total of 407 IDX issuers firms listed on the DES. This study used purposive sampling method with the following criteria: (1) firms engaged in the property, real estate, and building construction sector and are listed on DES in 2016-2018; (2) firms provide financial reports during 2016-2018; (3) firms did not experience losses in the said period. Based on the sampling results, a sample of 39 firms was obtained, with a total of 117 observations.

3.2 Data Sources and Data Collection Techniques

This study uses a literature study approach and document techniques to collect data. The data used is the firm's annual report from 2016 until 2018. The complete data specifications are described in table 1.

Table 1. Data and Measurement Techniques

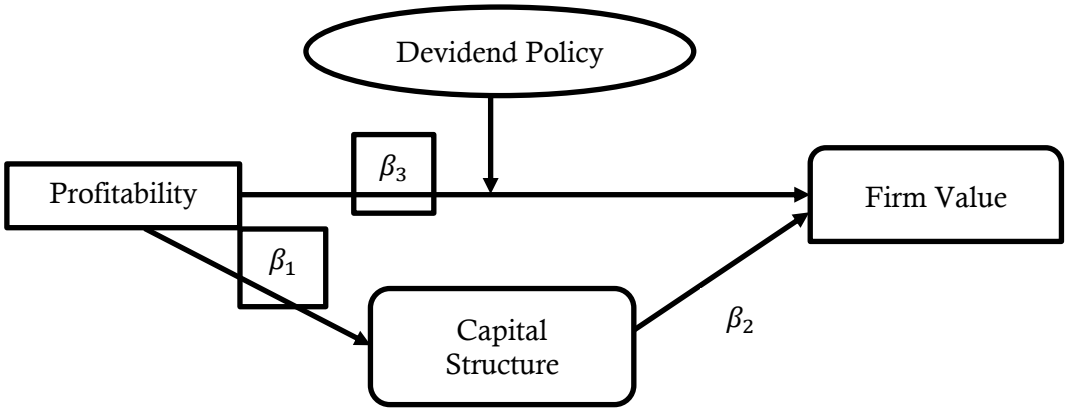
Data	Measurement Techniques	Literature	Source
Profitability	ROA (*Return On Assets*)	Atriil and Mclaney (2006), Susanto (2005)	*Indonesian Stock Exchange* (IDX)
Capital structure	DER (*Debt Equity Ratio*)	Leonard and Mwasa, (2014), Barrurualo (2011)	*Indonesian Stock Exchange* (IDX)
Dividend policy	DPR (*Dividend Payout Ratio*)	Parsian and Kholouki (2014), Frankfuter and Wood (2003)	*Indonesian Stock Exchange* (IDX)
Firm value	PBV (*Price Book Value*)	Fahmi (2017), Jones (2000)	*Indonesian Stock Exchange* (IDX)

3.3 Data Analysis Technique

Using the integrated SPSS Process.spd, the path analysis approach is used to analyze the data in this study. The path analysis approach is selected because of the involvement of moderating variables in the form of dividend policy and intervening variables in the form of capital structure in the analysis, which is shown through the scheme in figure 1.

Technium Social Sciences Journal
Vol. 10, 299-311, August 2020
ISSN: 2668-7798
www.techniumscience.com

Figure 1: Structural Path Analysis.



Therefore, in this path analysis, there are several mathematical analysis techniques which include:

a. Classical Assumption Test, which includes: (1) Normality Test, using the Kolmogorov-Smirnov test approach; (2) Multicollinearity Test, using the VIF test approach; (3) Autocorrelation test using the Durbin-Waston test approach; and (4) Heteroscedasticity test using the Glacier test approach
b. Regression Modeling, which includes: (1) Linear Regression; (2) Moderated Regression Analysis; (3) Subgroup Analysis
c. Hypothesis Testing, which includes: (1) Partial test with the t-test approach; (2) Concurrent test with the F-test approach; (3) Mediation test using the Arlon Test-Sobel approach

4. Data Analysis

4.1. Classical Assumption Testing

4.1.1. *Normality-Test*

The normality test is used to determine whether the data and the regression equation meet the normality assumption and have a normal distribution. The results of the normality test in this study are shown in table 2.

Table 2. *One-Sample Kolmogorov-Smirnov Test*

Element	Unstandardized Residual
N	117
Test Statistic	.137
Asymp. Sig. (2-tailed)	.000[c]
.	

Based on table 2, it is known that the residual data has a Sig. < 0.05, so it can be concluded that the data used in this study follows the normal distribution.

4.1.2. *Multicollinearity Test*

Multicollinearity test is a test to determine whether each independent variable influences each other linearly, the results of the multicollinearity test are shown in table 3.

Technium Social Sciences Journal
Vol. 10, 299-311, August 2020
ISSN: 2668-7798
www.techniumscience.com

Table 3. *Multicololinierity Test-VIF*

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
Profitabilitas	.853	1.172
Struktur_Modal	.924	1.082
Kebijakan_Devide n	.892	1.121

Based on the results of the analysis in table 3, it can be seen that the data used in this study do not contain multicollinearity elements, so the analysis can proceed to the next stage.

4.1.3. *Autocorrelation-Test*

The autocorrelation test is used to check the data, whether the value of the n-th data is related to the n-1 data value. The results of the autocorrelation test shown in table 4.

Table 4. *Autocorelation-Test Durbin-Waston*

Model	R	R Square	Durbin-Watson
1	.343[a]	.118	2.008

Based on the results of the Durbin-Waston test, it is known that the D_w value is 2.008; the t-table shows that $11.7504 < D_w < 2.2496$. Therefore, it can be concluded that there is no sign of autocorrelation in this research data.

4.1.4. *Heteroscedasticity -Test*

Heteroscedasticity test is used to test whether the residual variable has the same Var (variant) value. Heteroscedasticity is a condition where the variance of residuals between observations differ from one another so that the estimated coefficient of regression becomes inefficient and deviates from the regression model. The results of the heteroscedasticity test with the Glacier approach are shown in table 5.

Table 5. *Gletjser-Test*

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	Profitabilitas	.218	.152	.143	1.438	.153
	Struktur_Modal	-.057	.049	-.110	-1.152	.252
	Kebijakan_Deviden	-.078	.057	-.132	-1.369	.174

The results of the analysis in the Glacier-test show that all sig. was none less than 0.05 or 5 per cent. Therefore, it can be concluded that there were no symptoms of heteroscedasticity in the data.

4.2. Regression Modeling

4.2.1. Linear Regression

The direct causal relationship between the independent variables and the dependent variable is the first relationship analyzed without involving moderating or intervening variables, which in this study includes: (1) the effect of profitability on firm value; (2) the effect of capital

Technium Social Sciences Journal
Vol. 10, 299-311, August 2020
ISSN: 2668-7798
www.techniumscience.com

structure on firm value; (3) the effect of profitability on capital structure, with the results of the analysis presented in table 6.

Tabel 6. Dirrect Effect without Intervening or Moderating Variable

Dependent Variable	Independent Variable	Beta Unztandarized	Sigma	R^2
Firm value	Profitability	0.671	0.005	0.068
	Capital structure	-0.027	0.742	0.001
Capital structure	Profitability	-0.698	0.011	0.048

Based on the results of the analysis in table 6, we can see that:

a. (1) Every 1% increase in profitability will increase the firm value by 0.671X; (2) The firm value is projected at 6.8% by profitability; (3) the results of sigma profitability on firm value is lower than 0.05.
   Based on these three points it can be seen that profitability has a positive and significant effect on firm value.
b. (1) Every 1% increase in the capital structure will reduce the firm value by 0.027X; (2) The firm value is projected at 0.1% by profitability; (3) the results of the sigma capital structure of the firm value is higher than 0.05.
   Based on these three points it can be seen that the capital structure has a negative and non-significant effect on the firm value.
c. (1) Every 1% increase in profitability will reduce capital structure by 0.698X; (2) The size of the capital structure is projected at 4.8% by profitability; (3) the results of sigma profitability on capital structure is lower than 0.05. Based on these three points it can be seen that profitability has a negative and significant effect on capital structure.

4.2.2. *Moderated Regression Analysis*

MRA modelling is used to see whether the dividend policy variable functions as a moderating variable. Other than that, MRA is also used to determine the types of moderating variables in the model. The results of the analysis can be seen in figure 3.

Figure 3 Moderated Regression Analysis Estimates.

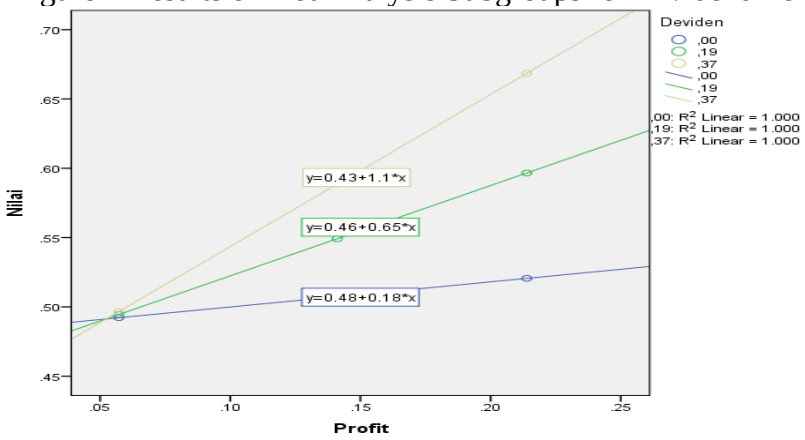
```
Nilai

Model Summary
          R        R-sq         MSE           F      p
      ,4137       ,1711       ,0392      7,7071     ,0001
Model
              coeff          se           t          p
constant       ,4819       ,0394     12,2159       ,0000
Profit         ,1808       ,2617       ,6910       ,4910
Deviden       -,1290       ,1751      -,7370       ,4626
Int_1         2,4604       ,9820      2,5054       ,0137

Product terms key:
 Int_1    :        Profit    x    Deviden
```

Based on the results of the analysis in figure 3, through the int_1 variable (interaction between profit and dividends), it can be seen that the value of Sigma is lower than 0.05. Therefore, it can be concluded that dividend policy moderates the relationship between profitability and firm value, with the magnitude of the model's influence on firm value by 17 11%. Also, based on the types of the moderating variable, dividend policy is a part of the quasi model moderating variable (Sugiono, 2004). Furthermore, the Subgroup Analysis approach is

Technium Social Sciences Journal
Vol. 10, 299-311, August 2020
ISSN: 2668-7798
www.techniumscience.com

used to see the direction of the dividend policy role in the relationship between profitability and firm value (Nugroho, 2014), with the results of plotting effects as follows.

Figure 4 Results of Plot Analysis Subgroups for Dividend Policy

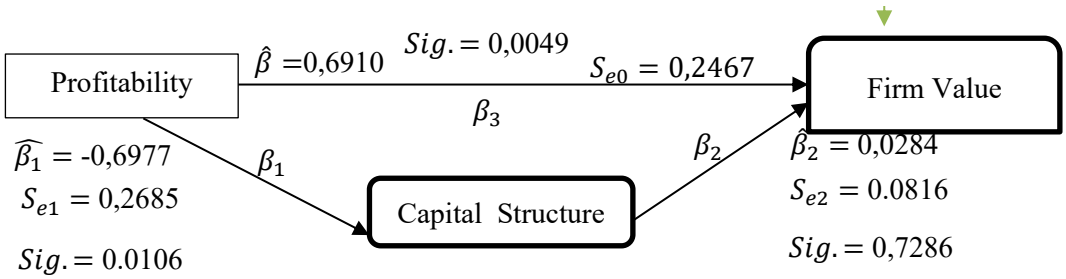


The results of plotting in Figure 4 show that dividend distribution of various levels has a positive effect (marked by operations (+) on the regression equation) both for low dividends (blue lines), medium dividends (green lines), and high dividends (orange lines), thus giving an indication that the higher the dividend given, the stronger the effect of the policy on the relationship between profitability and firm value.

4.2.3. Intervening Variable Analysis with the Sobel-Test Model Arlon approach

Sobel-Test approach used in the intervening variable analysis. The regression coefficients for each path were estimated before running the analysis, the details of this estimation can be seen in figure 5.

Figure 5: Intervening Variable Path Analysis



Based on Figure 5, it can be seen that (1) The direct effect of profitability on firm value is at 0.6910X, which means that each 1% increase in profitability will increase firm value by 0.6910X; (2) The indirect effect of profitability on the firm value is at -0.0198X, thus, each 1% increase in profitability will reduce the firm value by 0.6910X; (3) The total effect of profitability on the firm value is 0.6712X, or every 1% increase in profitability will increase the firm value by 0.6712X. Based on the level of significance, it can be seen that the direct effect has a significant effect while the indirect effect of its significance level can be calculated using the Sobel-Test Model Arlon approach (Barron and Kenny, 1986).

$$S_{e1}S_{e2} = \sqrt{\widehat{\beta_1}^2 {S_{e2}}^2 + \widehat{\beta_2}^2 {S_{e1}}^2 + {S_{e2}}^2 {S_{e1}}^2}$$

Technium Social Sciences Journal
Vol. 10, 299-311, August 2020
ISSN: 2668-7798
www.techniumscience.com

$$S_{e1}S_{e2} = \sqrt{-0{,}6977^2 \times 0{,}0816^2 + 0{,}0284^2 \times 0{,}2685^2 + 0{,}0816^2 \times 0{,}2685^2}$$

$$S_{e1}S_{e2} = 0.06148$$

Hereafter, the t-statistic value is calculated using the formula of:

$$t = \frac{-0.6977 \times 0.0284}{0.06148}$$

$$t = \text{-}0{,}03223$$

The results of the analysis using the Sobel-Test approach resulted in the t-Sobel value of -0.03223. The results were then compared with the t-table value for 117 observations so that the t-table value of -1.98137 was obtained. Based on this it can be seen that t_count> t_table. This shows that through indirect effects, the capital structure does not significantly mediate the effect of profitability on firm value. So, it can be said that profitability can directly affect the firm value without going through the preparation of an optimal capital structure.

5. Discussion

The results of data analysis show that profitability has a positive and significant effect on the value of firms in the property, real estate, and building construction sectors listed on the Sharia Securities List. The effect of profitability on firm value is in line with the Signaling Theory which states that a firm's actions will influence investor valuations. This indicates that the rate of profit influences investor's assessment of firm value (Brigham and Houston, 2016). Furthernore, Modigliani and Miller (1986) through Irrelevance Dividends reinforce the opinion which states that the value of the firm is influenced by profit. Also, based on the results of the analysis which found a positive relationship, it indicates that the higher the level of profitability the higher is the firm value. This corresponds with the research conducted by Indriyani (2017) and again strengthened by Kusnadi and Tandika (2019), who states that the higher the value of profitability, the higher is the firm value that can be obtained.

In addition to the profitability perspective, the firm value can also be reflected through the capital structure. However, based on the results of the analysis, it shows that the capital structure does not affect the value of the firm. This proof describes that changes in the amount of debt to the composition of the capital structure cannot be a reference in changing the value of the firm. This phenomenon corresponds with the theory of Modigliani and Miller, through MM I theory which states that the capital structure does not affect the firm value in the market (Modligani and Miller, 1958). The MM's theory has implications due to the occurrence of Symmetric Information on trading in the capital market, under the assumption that investors have sufficient and equal information to managers so that they have all the data related to information changes. MM shows that firms with different debt compositions will continue to provide the same firm value (Ahmeti and Prenaj A., 2016). This is as a result of the domino effect, where investors have the same strong information as firm management on the firm's prospects going forward due to the Symmetric Information. Therefore, investors can see the other factors that can affect the firm value compared to the capital structure that focuses on the ratio of total debt and firm capital, such as profitability (Brigham and Houston, 2016) and

Technium Social Sciences Journal
Vol. 10, 299-311, August 2020
ISSN: 2668-7798
www.techniumscience.com

dividend policy (Gordon, 1962). This research corresponds with the results of research conducted by Permatasari and Azizah (2018).

Furthermore, in maximizing the firm value, a firm also needs to be careful in utilizing the profits obtained in preparing the optimal capital structure, this is because the optimal capital structure will maximize the value of the firm. So based on the explanation, there is a relationship between profitability and firm value. This is evidenced by the results of the analysis of the research data, which shows that profitability has a negative and significant effect on capital structure. The significant influence of profitability on capital structure is inseparable from the theory expressed by Brigham and Houston (2016). In normal circumstances, a firm uses more equity in the form of retained earnings than taking debt from other parties. Also, according to the Pecking Order Theory, it can be shown that on an order basis, firms prefer funding sourced from their capital (equity), in the form of retained earnings (Frank and Goyal, 2003) and (Myers, 1983). This is related to the profitability of the firm. Firms with a high level of profit can have a greater amount of retained earnings compared to firms that have a low level of profit. Moreover, the direction of a negative relationship between profitability and capital structure indicates that the greater the level of profits obtained by the firm, the greater is the retained earnings and the less debt used by the firm, this, in turn, will result in the reduction of the composition of debt in the capital structure. This finding is consistent with the theory proven by Frank and Goyal (2003), where profits and debt in the capital structure are negatively interrelated, which means that the greater the profit owned by the firm, the lower is the debt used by the firm in its capital structure. This is in line with research conducted by Tijow et al. (2018) and Batubara et al. (2017), which states that profitability has a negative and significant effect on capital structure.

In addition to profitability and capital structure, dividend policy also has its contribution to the firm value. This can be seen in firms with high-profit orientation, having different firm values, when firms announced the dividend and when they do not, after reporting profits to investors. This is evidenced through the analysis of the data in this study, which shows that dividend policy can moderate and strengthen the effect of profitability on the firm value of the property, real estate, and building construction sectors listed on the Sharia Securities List. The ability of dividend policy in moderating and strengthening the effect of profitability on firm value is inseparable from the Content Information theory proposed by Brigham and Houston. Brigham and Houston provide the view that dividend policy will signal the firm's prospects related to future profits so that with a good firm's profit prospect, it will strengthen the firm's value in the eyes of the market. Based on this view it can be seen that dividend policy has a role in strengthening the value of the firm. This is in line with the Bird in Hand Theory, which states that the higher the dividends distributed to investors, the higher the value of the firm obtained (Brigham and Ehrhardt, 2008). Based on these two theories, it can be seen that the profits earned by the firm and followed by dividend announcements can increase and maximize the value of the firm. The results of this study are in line with research from Oktaviani and Mulya (2018), as well as Rochmah and Fitria (2017) which state that dividend policy strengthens and has a significant influence on the effect of profitability on firm value.

Based on the previous explanation, the announcement of profit followed by the announcement of dividend distribution can increase the firm values. This also applies to firm policies related to the preparation of capital structure based on profits obtained, so that optimal capital is expected to be formed, thereby maximizing the value of the firm (Brigham and Houston, 2016). According to the explanation, it can be seen that capital structure is an intermediary factor that links profitability to firm value. However, the results of data analysis in this study show different results where the capital structure cannot mediate the effect of

profitability on firm value. This proves that investors do not focus on the firm's capital structure, but rather focus on profitability. This is caused by the significant effect of profitability on firm value in the regression model that is formed, in which, according to Barrurulo (2011), firms that have high profits will be more liquid so they can pay dividends to investors. Dividend payments will trigger an increase in investor welfare, in line with the Bird in Hand Theory. Therefore, it will maximize the firm's supply. Based on these discussions, it can be seen that profitability is still the main reference for investors in making an investment decision. The results of this study correspond with research conducted by Azmi et al. (2018) and reinforced by Ningrum and Hermuningsih (2019), which in the research show that capital structure cannot mediate the effect of profitability on firm value.

6. Conclusion

Based on the results of the discussion that has been presented, it can be seen that there are factors that have a direct and indirect influence on the firm's value. As for the direct factor, it can be seen that profitability has a positive and significant effect on the value of the firm, that the higher the profit the firm can obtain, the higher the value of the firm in the eyes of investors. This corresponds to the Signaling Theory and Irrelevance Dividend Theory. Moreover, the existence of capital structure also has a direct impact, but the results of the analysis show that capital structure has a negative and insignificant effect on the firm value that corresponds with Modigliani and Miller's (MMI) theory. The capital structure in the analysis is significantly influenced by profitability with a negative relationship, which in line with the Pecking Order Theory. As for the indirect effect, it can be seen from the dividend policy as a moderating variable where the dividend policy can moderate and strengthen the effect of profitability on firm value, this is in line with the Content Information Theory and Bird in Hand Theory. However, the capital structure as an intervening variable cannot mediate the effect of profitability on firm value. This is due to the insignificant indirect effect conditions, so investors can directly see profitability as a projection of the firm's value in the future corresponding to the Signaling Theory.

References

[1] A. P. TIJOW, S. HARIJANTO AND V. Z. TIRAYOH: Pengaruh Strukur Aktiva Dan Profitibilitas Terhadap Struktur Modal, Dengan Objek Penelitian Pada Perusahaan Sektor Industri Barang Konsumsi Di Bursa Efek Indonesia. *Jurnal Riset Akutansi Going Concern*. 13(3). 477-488. (2018).

[2] A. W. NUGROHO: Pengujian Efek Moderasi dengan Analisis Regresi Berganda", J*urnal Pengukuran Psikologi dan Pendidikan Indonesia*. 4(4). 229-242. (2012).

[3] B. SUSANTO: *Manajemen Akutansi, cetakan pertama*. Jakarta: Sansu Moto. (2005).

[4] BATUBARA, R. A. P. TOPOWIJOYO AND Z. A. ZAHROH: Pengaruh Struktur Aktiva, Ukuran Perusahaan, Dan Profitibilitas Berpengaruh Pada Struktur Modal. *Jurnal Administrasi Bisnis (JAB).* 50(4). 1-9. (2017).

[5] C. P. JONES: *Invesment Analysis and Management*. New York: Jonh Willey and Sons, Inc,.(2000).

[6] D. PERMATASARI AND D. F. AZIZAH: Pengaruh Struktur Modal Terhadap Nilai Perusahaan. (Studi Pada Perusahaan Sektor Makanan Dan Minuman Yang Terdaftar Di Bursa Efek Indonesia Tahun 2013-2016). Jurnal Administrasi Bisnis (JAB). 6(4). 100-105. (2018).

[7] E. F. BRIGHRAM AND J. F. HOUSTON: *Dasar-Dasar Manajemen Keuangan, Tj. Novietal L. Salamma dan Febriany Kusumastuty*. Jakarta: Salemba Empat. (2016).

[8] E. F. BRIGHRAM AND L. C. GAPENSKI: I*ntermediate Finacial Management 7th Edition*. Sea Harbor Drive: The Dryden Press. (2010).
[9] E. F. BRIGHRAM AND M. C. EHRHARDT: *Financial Mnagement: Theory and Pratice*. (USA; Thomson Higher Education. (2008).
[10] E. INDRIYANI: Pengaruh ukuran perusahaan dan profitabilitas terhadap nilai perusahaan. *Akuntabilitas*: *Jurnal Ilmu Akutansi*. 10(2). (2017).
[11] F. AHMETI DAN B. PRENAJ A.: Critical Review Of Modligani and Miller'sTheorem Off Capital Structure. *International Journal Of Economics, Commerce and Management*. 3(6). 914-922. (2015).
[12] F. BARRARUALLO: *Nilai Perusahaan, Konsep, Teori, dan Aplikasi*. Jakarta: Univessitas Atma Jaya. (2011).
[13] F. MODLIGANI AND M. H. MILLER: The Cost Of Capital, Coorporation Finance, and The Teory Of Invesment. *American Economic Review*. 48(3).261-297. (1958).
[14] F. MURRAY AND V. K. GOYAL: Testing Yhe Pecking Order Theory Of Capital Structure. *Journal Of Finacial Economics.* 67(2). 217-248. (2003).
[15] G. M. FRANFURTER AND B. G. WOOD: *Dividen Policy Theory and Practice*. San Diego USA: Academic Press. (2003).
[16] I. FAHMI: *Pengantar Pasar Modal.* Bandung: Alfabeta. (2017).
[17] J. M. GORDON: Optimal Invesment dan Financing Policy. *Journal Of Finance*. 18(2). 243-269. (1963).
[18] JOGIYANTO: *Teori Portofolio dan Analisis Investasi*. Yogyakarta: BPFE Yogyakarta. (2003).
[19] KEMENTERIAN PUPR: *Arahan Menteri PUPR 2019.* Jakarta: Kementerian PUPR. (2018).
[20] KOLOUKHI: A Study on The Effect of Free Cash Flow and Profitability Current Ratio On Dividen Pay Out Ratio: Evidence From Tehran Stock Exchange. *Management Science Letters*. 4(1). 63-70. (2014).
[21] M. FAKHRUDIN AND M. S. HADIANTO: *Perangkat dan Model Analisis Investasi di Pasar Modal*. Jakarta: Alex Media Komputindo. (2012).
[22] M. H. MILLER AND F. MODLIGANI: Dividend Policy, Growth, The valuation Of Shares. *Journal of Bussiness.* 34(4). 411-433. (1961).
[23] M. LEONARD AND I. MWASA: Capital Structure and Financial Performance In Kenya: Evidence From Firms Listed at The Nairobi Securities Exchange. International. *Journal Of Social Sciences and Entrepreunership*. 1(11). 209-223. (2014).
[24] M. SUHARLI: Studi Empiris Terhadap Faktor yang mempengaruhi Nilai Perusahaan pada Perusahaan Go Publicdi Indonesia. *Junal Manajemen Akutansi*. 6(1). 23-41. (2007).
[25] N. AZMI, ISNURHADI AND U. HAMDAN: Pengaruh Profitabilitas, Ukuran Perusahaan terhadap Nilai Perusahaan dengan Struktur Modal sebagai Variabel Intervening pada Perusahaan Manufaktur yang terdaftar di BEI, *JEMBATAN*. 15(2). 95-108. (2018).
[26] R. F. OKTAVIANI AND A. A. MULYA: Pengaruh Struktur Modal dan Profitibilitas terhadap Nilai Perusahaan dengan Kebijakan Deviden sebagai Moderasi. *Jurnal Akutansi dan Keuangan*. 7(2). 139-150. (2018).
[27] R. M. BARON AND D. A. KENNY: The Moderator-Mediator Variable Distinction in Social Psychological Research: Conceptual, Strategic, and Statistical Considerations. *Journal Of Personality and Social Psycology*. 51(6). 1173-1182. (1986).

[28] S. A. ROCHMAH AND A. FITRIA: Pengaruh Kinerja Keuangan Terhadap Nilai Perusahaan: Kebijakan Deviden Sebagai Variabel Moderasi. *Jurnal Ilmiah dan Riset Akutansi*. 6(3). 999-1017. (2017).
[29] S. BHATTHACARYA: Imperfect Information, Dividend Policy, and The Bird In The Hand Fallacy. *Bell Journal of Economics*. 10(1). 259-270. (1979).
[30] S. C. MYERS: The Capital Structure Puzzle, *The Journal Of Finance*. 39(3). 575-592. (1984).
[31] S. HERMUNINGSIH: Pengaruh Profitibilitas, Size Terhadap Nilai Perusahaan Dengan Struktur Modal Sebagai Variabel Intervening. *Siasat Bisnis*. 16(2). 232-242. (2012).
[32] SUGIONO: Konsep, Identifikasi, Alat Analisis,dan ,Masalah Pengetahuan Variabel Moderator. *Jurnal Studi Manajemen dan Organisasi*. 1(2). 61-70. (2004).
[33] T. W. KUSNADI AND D. TANDIKA: Pengaruh Return On Asset terhadap Nilai Perusahaan denga Kebijakan Deviden sebagai Variabel Moderasi. *Prosiding Manajemen*. 5(1). 476-482. (2019).
[34] W. E. STERK AND P. A. VANDEBERG: The Market Valuation of Cash Dividends and The Tax Differential Theory of Dividend Policy: A Case Revisited, *Financial Review*. 25(3). 441-445. (1990).