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ICOBBI

MARKETING INTERNATIONAL SEMINARS AND THE 4th INTERNATIONAL CONFERENCE ON BUSINESS AND BANKING INNOVATIONS

Surabaya, 29th January 2022

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Published by :
Program Studi Magister Manajemen
Universitas Hayam Wuruk Perbanas
Jl. Wonorejo Utara No. 16 Rungkut Surabaya
Telp. 031-5947151 | Ext. 2402
Fax. 031-87862621
Website. www.pascasarjana.perbanas.ac.id

The 4th ICOBBI

The Strategy of Digital in Business for Gaining Competitive Advantages after Pandemic

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Published 29th January 2022

Magister Manajemen Universitas Hayam Wuruk Perbanas, Surabaya, Indonesia
Jalan Wonorejo Utara No. 16, Rungkut Surabaya, East Java 60296
Telpon 082247845434
Website : http://pascasarjana.perbanas.ac.id/
Indexed by google scholar

ISBN :

The originality of the paper is the author's responsibility

FOREWORD

Alhamdulillah, praise be to Allah Subhanahu Wa Ta'ala for granting us the opportunity to organize and publish the proceedings of the 4th International Conference on Business and Banking Innovations (ICOBBI) with the topic "The Strategy of Digitalization in Business for Gaining Competitive Advantages after Pandemic". This proceeding contains several researches articles from many fields in Business & Marketing, Banking & Sharia Banking, Accounting & Financial Management, Human Resources Management, Operations Management, Investasi, Insurance & Capital Market, Strategic Management, Technology Management, and Information System.

The 4th International Conference on Business and Banking Innovations was held on 29th January 2022 by virtual (online) zoom meeting and organized by the Master Management Study Program of Universitas Hayam Wuruk Perbanas in Collaboration with five Higher Education Institutions in Indonesia and three Universities from Asia countries. Keynote speakers in this conference were: Chonlatis Darawong, P.hD (Sripatum University, Thailand), Associate Prof. Dr. Ellisha Nasrudin (University of Science, Malaysia), Dr. Sanju Kumar Singh (Postdoctoral Fellowship in Universitas Airlangga, Tribhuvan University Nepal) and Prof. Dr. Abdul Mongid, MA., P.hD (Universitas Hayam Wuruk Perbanas, Indonesia).

I would like to give high appreciation to the Rector of Universitas Hayam Wuruk Perbanas for his support at this event. Acknowledgments and thank you to all the steering and organizing committees of the ICOBBI for the extra ordinary effort during the conference until this proceeding published. Thank you very much to all presenter and delegates from various Universities. Beside it, I would like to express our gratitude to the three universities, namely Universitas 17 Agustus Surabaya, STIE YKPN Yogyakarta, Universitas Negeri Gorontalo, Universitas Surabaya and Universitas Muhammadiyah Surakarta which has been the co-host of this event.

Hopefully, the proceeding will become a reference for academics and practitioners, especially the business and banking industry to get benefit from the various results of the research field of Business and Banking associated with Information Technology. Proceedings also can be accessed online on the website http://eprints.perbanas.ac.id/

Chair of the Master Management Study Program
Universitas Hayam Wuruk Perbanas

Prof. Dr. Tatik Suryani, M.M.

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Human Resources

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Jalan Wonorejo Utara No. 16, Rungkut Surabaya, East Java 60296

Telpon 082247845434 Website : http://pascasarjana.perbanas.ac.id/

The Effect of Dividend Policy and Capital Structure on Firm Value with Profitability as Mediation

In The Food and Beverage Companies Listed on IDX In 2015-2020

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ABSTRACT

Company is committed to continuously optimizing performance to achieve targets with maximum results. The company must have various strategic options that will later be executed, and the goal of the company's financial management is to maximize shareholder wealth in the long term. The increase in shareholder wealth is shown in the higher share price of the company itself. This study was conducted to determine the effect of dividend policy on capital structure and profitability on the value of companies engaged in the food and beverage sector and determine whether profitability can mediate the effect of capital structure on firm value. The variables used to measure the factors that will affect the value of the company or PBV (Price Book to Value) are dividend policy or DPR (Dividend Payout Ratio), capital structure or DER (Debt to Equity Ratio) and profitability or ROE (Return on Equity). The sample used in this study is a company engaged in the Food and Beverage Sector and has been listed on the Indonesia Stock Exchange. The research period used in this research uses the last 5 years (2015-2020). This research is quantitative research and uses secondary data. This study uses two techniques of data analysis, namely descriptive analysis, and statistical analysis. Analysis technique using Path Analysis

Keywords: *Firm Value, Dividend Policy, Capital Structure, Profitability.*

1. INTRODUCTION

Each company is committed to continuously optimizing performance in order to achieve targets with maximum results. Companies must have various strategic options that will later be implemented. The goal of corporate financial management is to maximize shareholder wealth in the long term. The increasing prosperity of shareholders is shown in the form of the higher share price of the company itself.

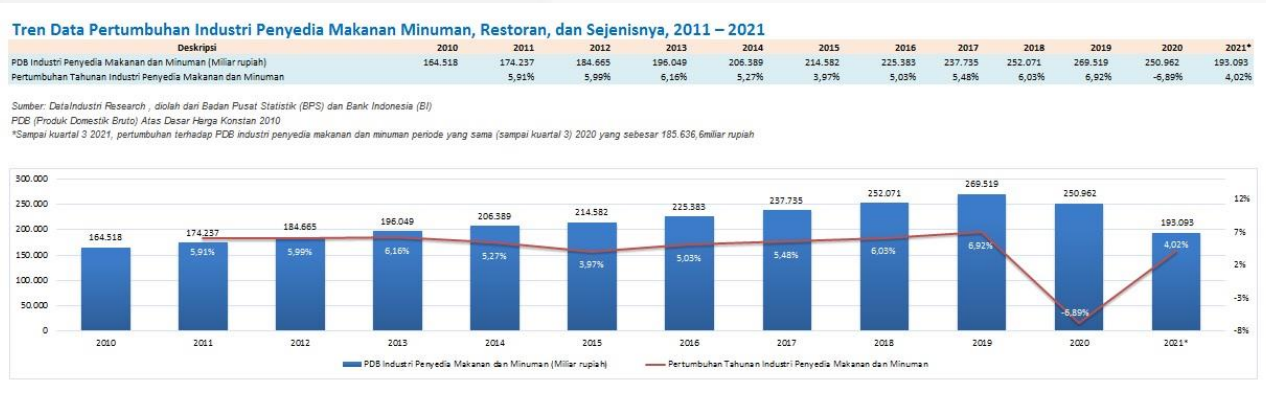
In this study, the value of the company is measured using the ratio of *price to book value* which is the ratio of share price comparisons to book value. The value of the company can be a measure of the company's stock price. The stock price has a positive correlation with the value of the company, where a high share price makes the value of a company also high. This PBV ratio is used to determine whether the stock price level is *overvalued* or *undervalued.* From the book value, to determine whether the company's performance is good or bad, the company's value has several influencing factors, such as company size, company growth, company uniqueness, asset value, dividends, tax savings, capital structure, exchange rate fluctuations, and capital market conditions. .

Dividend policy can have a positive and negative effect on the value of the company, it can be said to be positive if the value of the dividend to be given increases then the value of the company will also increase. The higher the dividend value indicates that the company is able to generate good profits and make the value of the company also increase. Dividend policy can also be said to have a negative effect if the company does not distribute dividends and the value of the company increases. According to Jusriani (2013), when making a dividend policy, one measure cannot be used by everyone. Some companies make huge amounts of money but have limited investment opportunities. Previous research conducted by Puspaningtyas (2017) proves that dividend policy has no significant effect on firm value, while research conducted by Musabbihan (2018) and Mursalim *et* *al* (2015) shows that dividend policy has a significant positive effect on firm value.

Capital structure is the ratio of long-term debt to own capital (company). The capital structure in this study is measured using the *Debt to Equity Ratio* which explains the amount of debt compared to equity. According to Oktrima (2017) this ratio serves to find out every rupiah of own capital used for debt guarantees, for companies the larger this ratio, the worse it will be. There are several factors that will affect the capital structure, one of which is the level of company profitability. The capital structure can have a positive and negative effect on the value of the company, it has a positive effect when the company has sources of funds or debt, then predicts that later it can rotate and use these funds in operational activities, the impact is that the company will be better at achieving its targets and can indirectly increase the value of the company. The capital structure is said to have a negative effect if the company uses debt in small amounts (minimizing debt) because the company has been able to generate large enough profits so that the company can optimize these profits for company operations without increasing the company's burden. The capital structure variables tested in the research of Chasanah (2018), Lubis *et al* (2017), Sultan and Adam (2015), Mursalim *et al* (2015), and Hirdinis (2019) show that capital structure has a significant positive effect on firm value. In Oktrima's research (2017) capital structure has no effect on firm value and in the study of Sultan & Adam (2015) explains that capital structure has a significant positive effect on profitability.

Profitability is the company's ability to generate profits or profits during a certain period of productivity carried out in the form of sales, total assets and own capital which can later be applied using a ratio. This ratio is a measure of whether the company's management performance can run effectively or not, as well as assessing how much the company has succeeded in generating profits. Similar to the understanding written in previous research, according to Munawir (2004) in Azlina (2009) profitability shows the company's ability to generate profits during a certain period. Profitability in this study will be a mediating variable where it will be shown whether profitability can be a "connector" or an intermediary variable between the independent variables and the dependent variable. This variable will later be proxied by ROE or *Return of Equity* , according to Tandi *et al* (2018) explained that this ROE shows the power to generate return on investment based on the book value of shareholders, in other words profitability (in terms of profitability). Profitability can be said to have a positive effect on firm value because the higher the company's profits or profitability, this indicates that the company's ability to generate profits also increases. This can be a mirror for investors to invest and make the company value improve. The higher the profit of the company, the higher the value of the company, and vice versa. Profitability in several previous studies was tested as an independent variable and also used as a mediating variable. The results of previous research show discrepancies in the results, where profitability in the research of Mursalim *et al* (2015) has a significant positive effect on firm value. Hirdinis (2019) shows that profitability cannot mediate the independent variable on firm value.

This study will use the variables of dividend policy, capital structure and profitability and the objects to be examined in this research are companies engaged in the Food and Beverage Sector in 2019-2021. Based on the Indonesian Central Statistics Agency, the recorded population in 2019 was 267 million, and as of December 2020 the population in Indonesia rose to 270 million. The increasing number of Indonesians has made the demand for necessities also soar. This can be proven by looking at the comparison of sales of companies engaged in the Food and Beverage Sector with companies operating in other sectors. It can also be


Tren Data Pertumbuhan Industri Penyedia Makanan Minuman, Restoran, dan Sejenisnya, 2011 – 2021

Deskripsi	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021*
PDB Industri Penyedia Makanan dan Minuman (Miliar rupiah)	164.518	174.237	184.665	196.049	206.389	214.582	225.383	237.735	252.071	269.519	250.962	193.093
Pertumbuhan Tahunan Industri Penyedia Makanan dan Minuman		5,91%	5,99%	6,16%	5,27%	3,97%	5,03%	5,48%	6,03%	6,92%	-6,89%	4,02%

Sumber: DataIndustri Research , diolah dari Badan Pusat Statistik (BPS) dan Bank Indonesia (BI)
PDB (Produk Domestik Bruto) Atas Dasar Harga Konstan 2010
*Sampai kuartal 3 2021, pertumbuhan terhadap PDB industri penyedia makanan dan minuman periode yang sama (sampai kuartal 3) 2020 yang sebesar 185.636,6miliar rupiah

Figure 1
GROWTH OF THE FOOD AND BEVERAGE PROVIDING INDUSTRY (2011-2021)
Surce : dataindustri.com

proven by looking at the production and sales growth of companies engaged in the Food and Beverage Sector.

managers to increase the value of the company. According to Chasanah (2018), an increased company value will affect shareholder value if the

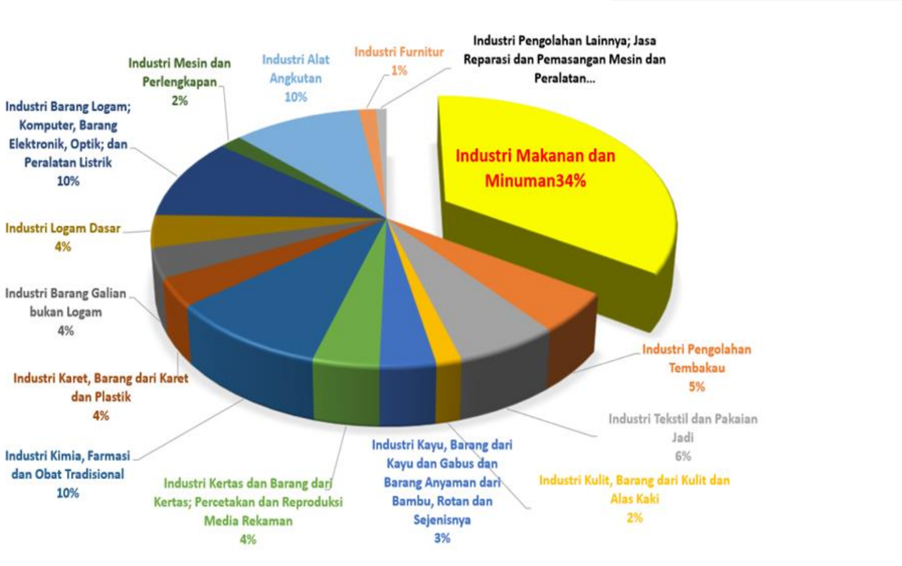


Figure 2
PERCENTAGE OF COMPANY SALES IN THE FOOD AND BEVERAGE SECTOR
Surce : dataindustri.com

Based on Figure 1. it can be seen that the ability of companies in the Food and Beverage Sector has always increased quite steadily every year and experienced a significant decline in 2020 when the Covid-19 Pandemic hit. This did not last long. Based on Figure 2, it can be seen that the Food and Beverage Industry has a higher percentage than other industries. That means, companies engaged in this Sector / Industry are able to compete to be able to produce and distribute needs on demand to all consumers, thus causing the percentage of Food and Beverages to be superior. The industry was able to stabilize the situation by increasing the distribution of primary needs to consumers. This competition makes the Food and Beverage Industry able to convince every consumer and investor that the company value in this sector remains stable and even much better than the previous period.

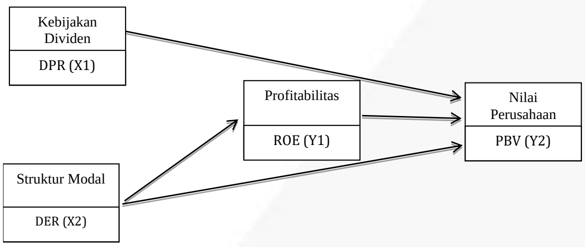
2. THEORETICAL FRAMEWORK AND HYPOTESES

The success of a company can be known through the high and low value of the company itself. The company has a good assessment in the market which means that the company can position itself well. This means that the company can dominate the market and make consumers or the market believe that the company is a superior company with the best quality. The value of the company can provide prosperity for. shareholders optimally, if the share price of the company increases. To create and realize, investors (managers or commissioners) will give authority to professional

increase is marked by a high rate of return on investment to shareholders. The higher the stock price of a company, the higher the value of the company. Because this is one of the interests and prospects of the company that must be maintained and improved so that investors continue to believe and remain *loyal* to the company. *Enterprise value* (EV) or known as *firm value* (company value) is a very important concept for investors, because it is a benchmark for the market and consumers to assess as well as know how the performance and quality provided by the company as a whole. Company value is often proxied by *price to book value* (PBV) which can be calculated by comparing the share price and the book value per share. PBV *(price book to value* is the market ratio used to measure the performance of the stock market price against its book value. This ratio is very important for investors to determine investment strategies in the capital market. Because through PBV *(price book to value)*, investors can predict which stocks are *overvalued* and *undervalued* when they choose to invest . In addition, PBV *(price book to value)* also describes how much the market can appreciate the book value of a company's shares. Usually if taken into account, a good company has a value PBV is more than 1 (>1), which indicates that the market value of the company's shares is greater than its book value. It can be concluded that the value of the company can be assessed or measured using share prices.

Net income or better known as profits can be given to shareholders as dividends and can also be retained (not distributed) as retained earnings to finance company investments. Dividend policy is a decision on

Figure 3
RESEARCH MODEL



the company's profits which are the rights of shareholders. If the company increases the amount of dividends, this will show investors that the company's performance in the future will be much better. So that the dividend policy of the company has a positive influence on the value of the company (Musabbihan, 2018). According to *a bird in the hand theory* , investors prefer high dividends because the dividends received are like a bird in hand, which has less risk or reduces uncertainty compared to dividends that are not distributed. *Signaling theory* explains that dividend payments are a signal to the market that the company is ready to grow and develop better in the future. So that dividend payments to shareholders will make the market more *respect* and interested in the company's shares (Musabbihan, 2018). Dividend payments make the company value much better in the market. The results of previous research, conducted by Musabbihan & Purnawati (2018), show that firm value has a significant effect on firm value. Meanwhile, the research conducted by Puspitaningtyas (2017) explains that dividend policy has no effect on firm value.

H1 : Dividend policy has a significant effect on firm value

The capital structure here explains that the funds owned by the company do not all come from the company's cash ownership, but in the form of long-term debt, short-term debt and other sources of funds. Obtaining funds to be reinvested, as well as selecting and composing which sources of funds will be retained by the company. The results of previous research, conducted by Chasanah (2018), show that capital structure has a significant effect on firm value. Meanwhile, in a study conducted by Lubis, *et al* (2017) explained that capital structure has no significant effect on firm value. Researchers have a hypothesis that funding decisions have a positive (+) and negative (-) effect on firm value. Having a positive influence because the company has a large source of funds (derived from debt), it can be estimated that the company can manage and account for their debt as well as possible, by turning the capital and funds into operational activities. The better the results of the company's operational activities, the better the company will fulfill their obligations, which will result in good company value, and vice versa. It has a negative effect because, by using debt in small amounts the company can prove that the company can optimize operational performance and generate good profits, so that the company can minimize the use of company debt, the company will allow the company to use the tax benefits of the debt. With the aim, so that later the company avoids the risk of bankruptcy.

H2 : Capital structure has a significant effect on firm value

As previously explained, the capital structure can be interpreted as debt or other sources of funds that can be carried out by the company for the sustainability of the company's operations. Companies will usually need a number of funds to meet their operational needs such as covering cash shortages, meeting inventories and others. This is done by the company so that later it can stabilize revenue and increase profitability from each period. The funding decision in this study which is prorated by the Debt to Equity Ratio (DER) shows a comparison between financing and funding through debt with funding through equity. The results of previous research, conducted by Sultan & Adam (2015) and Mursalim, et al (2015) show that capital structure has a significant positive effect on profitability. Thus, the researcher hypothesizes that capital structure has a positive (+) effect on profitability. It has a positive influence because the company has a large source of funds to optimize operations, with the hope that later the company will also get a high profit or profitability value. When the profitability of the company is considered large enough, this will indirectly affect the company's success in increasing the value of the company and make the benchmark for investors that the company has succeeded in optimizing its operational system and getting high profits.

H3 : Capital structure has a significant effect on profitability

Profitability is a measure of the company's ability to generate profits or profits from its operations. The greater the profit or profit obtained, the greater the *return* that will be received by shareholders. *The return* received or obtained by investors will affect the investor's assessment of the company. The higher the shareholder's assessment of a company's stock, the higher the value of the company (Chasanah, 2018). According to Musabbihan (2018), profitability has a significant effect on firm value. And these results are consistent with the research conducted by Lubis *et al* (2017), which also states that profitability has a positive and significant effect on firm value. According to signal theory, if the company has high profitability, investors will invest in the company and increase the value of the company.

H4 : Profitability has a significant positive effect on firm value

H5 : Profitability is able to mediate capital structure on firm value

3. RESEARCH METHODS

This research is a causal study research, this study is a study that examines and measures the strength of the relationship between the variables tested and shows how the direction of the relationship between the independent variable and the dependent variable is. Based on the data source, the data used in this study is secondary data. This study uses two techniques of data analysis, namely descriptive analysis and statistical analysis. With this analysis technique, the researcher will know the relationship between the variables studied.

The author would like to thank the supervisors for their input and to all parties who helped so that this research can be completed.

The scope of the research is as follows:

1. The variables used to measure the factors that will affect the value of the company are dividend policy, capital structure and profitability
2. The sample that will be selected and used in the study is a company engaged in the Food and Beverage Sector and has been listed on the Indonesia Stock Exchange
3. The research period used in this research uses the last 5 years (2015-2020)
4. The variables in this study consist of the dependent variable or the dependent variable in the form of company value which is prorated by PBV or *Price Book To Value*. There are 2 independent variables or variables that influence, namely dividend policy which is proxied by the DPR (*Dividend Payout Ratio*) and Capital Structure which is proxied by DER (*Debt to Equity Ratio).* Intervening variable or mediating variable is Profitability which is proxied by ROE (*Return On Equity).*

Acknowledgement

The authors would like to thank the supervisors for the guidance and input of ideas, campus activists for providing facilities, parents and families for the support and enthusiasm given and all parties involved in this research so that it can be completed properly.

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