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The Effect of Capital Structure, Company Size, Financial Condition, and Dividend Policy on Firm Value

(Empirical Study of Manufacturing Companies Listed on the Indonesia Stock Exchange 2020–2021)

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Abstract: This study aims to analyze the impact of capital structure, company size, profitability, liquidity, sales growth, and dividend policy on firm value. The dependent variable, which is firm value is proxied by Tobin's Q and PBV. The population in this study is all manufacturing companies listed on Indonesia Stock Exchange in 2020–2021. The sampling technique was selected using purposive sampling. Based on predetermined criteria, this study used 120 samples. However, 20 samples were outliers, therefore 100 samples were obtained to be processed. The data analysis technique used in this research is multiple linear regression analysis using SPSS 25. The results showed that profitability and influence on firm value. Meanwhile capital structure, company size, sales growth, and dividend policy have no effect on firm value.
Keywords: firm value, capital structure, company size, profitability, liquidity, sales growth, dividend policy

1. Introduction

Growth in the business world has created competition that is so tight and very fast. The level of social inequality and environmental damage is increasing due to uncontrolled corporate actions over resources to increase corporate profits. Therefore, companies must be accountable to stakeholders such as customers, competitors, and investors. The success of a business depends on how the company uses its role to gain greater profits. Companies also need positive support from the community, which is obtained through what they do for stakeholders, including the surrounding community (Kamil & Herusetya, 2012).

Established companies have clear objectives so that they can develop. The main objective of all activities carried out by the company is to increase the wealth of the owner or shareholder by adding value to the company. When the firm's value increases, it will give investors confidence in the company's performance and provide good prospects for the company. But problems often arise when companies want to increase their value. This happens because everyone has their own goals and interests. The existence of these problems will reduce the value of the company. A decrease in firm value will have an impact on company profits and share prices.

Based on previous studies, there are many factors that influence firm value. These factors include investment policies, company growth, operational policies, company size, funding policies, profitability, fixed assets, and capital structure, which are aspects that affect firm value (Suripto, 2015). From the results of previous research, the relationship between these variables and firm value is still diverse. This is due to the different research objects and samples. In addition, previous research was carried out under normal or crisis conditions. This study aims to analyze the effect of capital structure, company size, profitability, liquidity, company growth, and dividend policy on firm value. Meanwhile, according to Hamid et al. (2018), firm value is influenced by leverage, profitability, liquidity, and dividend policy. Among the aspects that affect the value of the company, the authors choose to examine the variables, namely capital structure, company size, and financial condition.According to Meidina (2019), firm value is influenced by three components: company size, company growth, and profitability.

2. Literature Review

2.1 The Theoritical Basis

2.1.1 Signalling Theory

Signal theory is a theory that explains that capital owners are given signals that show the company's prospects (Rahma, 2014). This signal contains information about the management of funds by management. This signal theory includes companies sharing financial report information with stakeholders. The purpose of issuing financial reports is to provide information and signals for shareholders to make investment decisions. According to Brigham & Houston(2014), signals are actions taken by company management that give

instructions to investors about how management sees company opportunities. This signal contains information about the management of funds by management.

The company gives a good signal or a bad signal so that investors are interested in buying shares in the company. The type of information that companies disclose to provide guidance to external parties is an annual report. Signals given to the company in the form of profitability, liquidity, sales growth, and dividend policy to investors as a decision to make an investment. The purpose of issuing financial reports is to provide information and signals for shareholders in making investment decisions (Nurhayati & Amanah, 2019).

2.1.2 Trade-off Theory

The trade-off theory expressed by Myers (2001) states that a company's debt will reach a certain level where the tax savings from additional debt are equal to the cost of financial distress. Tax payments will be greater if the company does not use its debt as capital than if it does. This will quickly affect the value of the company.

The use of debt at a certain point can maximize tax savings for the company because companies with high profit levels seek to reduce taxes by increasing debt, so increasing debt can reduce the amount of tax that must be paid by the company, and indirectly, the company's profits will increase. When profits increase, investors are attracted to companies to invest in. This will lead to increased demand for shares, followed by high stock prices. The higher the demand for shares, the higher the firm value, so the higher the capital structure, the higher the firm value.

2.2 Hypothesis Development

2.2.1 The Effect of Capital Structure on Firm Value

According to Rosmalia (2021), the purpose of the company's capital structure is to increase the income of company owners by increasing firm value and company profits. The capital structure must maximize profits to meet its capital requirements, and the profits derived from the capital structure must be greater than the cost of capital.

Capital structure can affect the value of the company through the profits generated. In research (Nugraha et al., 2021), it was found that capital structure has a significant positive effect on firm value. On the other hand, research results (Pradani & Aji, 2018) show that capital structure has no effect. Therefore, the first hypothesis can be formulated as follows:

H1: Capital structure has an effect on firm value.

2.2.2 The Effect of Company Size on Firm Value

The size of the company is also seen in its total assets, so the growth of the company greatly affects its value. Companies that grow fast also benefit from the positive image they get, but companies must be careful because the success they get makes them vulnerable to negative issues (Prasetia et al., 2014).

There are research results showing a positive relationship between company size and firm value, as was done by Muharramah & Hakim (2002). Meanwhile, research (A. N. Sari & Widyawati, 2021) found that company size had no effect. Therefore, the second hypothesis can be formulated as follows:

H2: Company size has an effect on firm value.

2.2.3 The Effect of Profitability on Firm Value

Profitability is the company's ability to generate profits. The ability to generate profits can be measured by the company's funds. Profitability is very important because it helps to make decisions when company profits are distributed as dividends or retained earnings as ownership or to make investments in the hope that the company will gain profits in the future (Gryglewicz, 2011).

The results of research conducted by Muliana and Ahmad (2021) found that profitability has a significant positive effect on firm value. Meanwhile, research (Muharramah & Hakim, 2021) shows that profitability has no effect. Therefore, the third hypothesis can be formulated as follows:

H3: Profitability affects firm value.

2.2.4 The Effect of Liquidity on Firm Value

The liquidity ratio is the ratio needed to analyze financial reports because the liquidity ratio shows the company's ability to meet short-term obligations (L. S. Dewi & Abundanti, 2019). Companies that have the ability to pay short-term and long-term debt at maturity will attract investment interest from investors. Investors may find it difficult to invest if financial conditions are unclear. The better the company's ability to meet its short-term obligations, the higher the resulting ratio.

In research conducted by Farizki et al. (2021) the results show that liquidity has an influence on firm

value. On the other hand (Rajagukguk & Sudjiman, 2022), according to the results of his research, liquidity has no effect. Therefore, the fourth hypothesis can be formulated as follows:
H4: Liquidity has an effect on firm value.

2.2.5 The Effect of Sales Growth on Firm Value

Sales growth illustrates that sales have increased from year to year. The company's growth is highly expected by internal and external parties because good growth signals the development of the company (Fista & Widyawati, 2017). A high sales growth rate indicates that the company is doing well in carrying out its operations.

Research conducted by Sari and Rahmawati (2020) shows that sales growth has an effect on firm value. In contrast, research by Dewi et al. (2020) shows that sales growth has no effect. Therefore, the fifth hypothesis can be formulated as follows:
H5: Sales growth has an effect on firm value.

2.2.6 The Effect of Dividend Policy on Firm Value

Dividend policy is a financial decision made by the company about whether profits are given to stakeholders or retained as retained earnings (Putra & Lestari, 2016). Larger dividend payments tend to increase stock prices. With the increase in stock prices, the value of the company will continue to increase.

Lestari & Harnida's research (2020) examines the effect of dividend policy on firm value, which results in dividend policy having an effect on firm value. In contrast, research conducted by Sari and Widyawati (2021) explains that dividend policy has no effect on firm value. Therefore, the sixth hypothesis can be formulated as follows:
H6: Dividend policy has an effect on firm value.

3. Methodology

This is quantitative research. The data used is secondary data in the form of financial reports obtained from manufacturing companies on the Indonesia Stock Exchange for 2020–2021. The sampling technique in this study was a purposive sampling method with certain criteria: (1) manufacturing companies listed on the IDX that make complete financial reports for 2020–2021, (2) manufacturing companies listed on the IDX that have complete data regarding the variables used in this study, (3) manufacturing companies listed on the IDX that distribute dividends, and (4) companies that present financial reports using the rupiah currency. The population of this study is 191 data points, and based on certain criteria, 60 samples of company data were obtained. So in two years of observation, namely 2020–2021, 120 samples were obtained with 20 data outliers, so that the total sample after outliers was 100 companies that could be used in research.

Table 1.Sample Selection Process

No	Criteria	Total
1	Manufacturing companies listed on the IDX that prepared complete financial reports in 2020-2021	191
2	Manufacturing companies listed on the IDX do not have complete data regarding the variables used in this study	(3)
3	Manufacturing companies listed on the IDX that do not pay dividends	(97)
4	Companies that do not present financial reports in rupiah	(31)
Total that meets the criteria		60
Total sample according to criteria x 2 years		120
Data outliers		20
Total samples processed		100

Source: Data processed by researchers, 2023

In this study, the independent variables used were capital structure, company size, profitability, liquidity, company growth, and dividend policy, while the dependent variable used was firm value. Based on the description above, the framework can be arranged as follows:

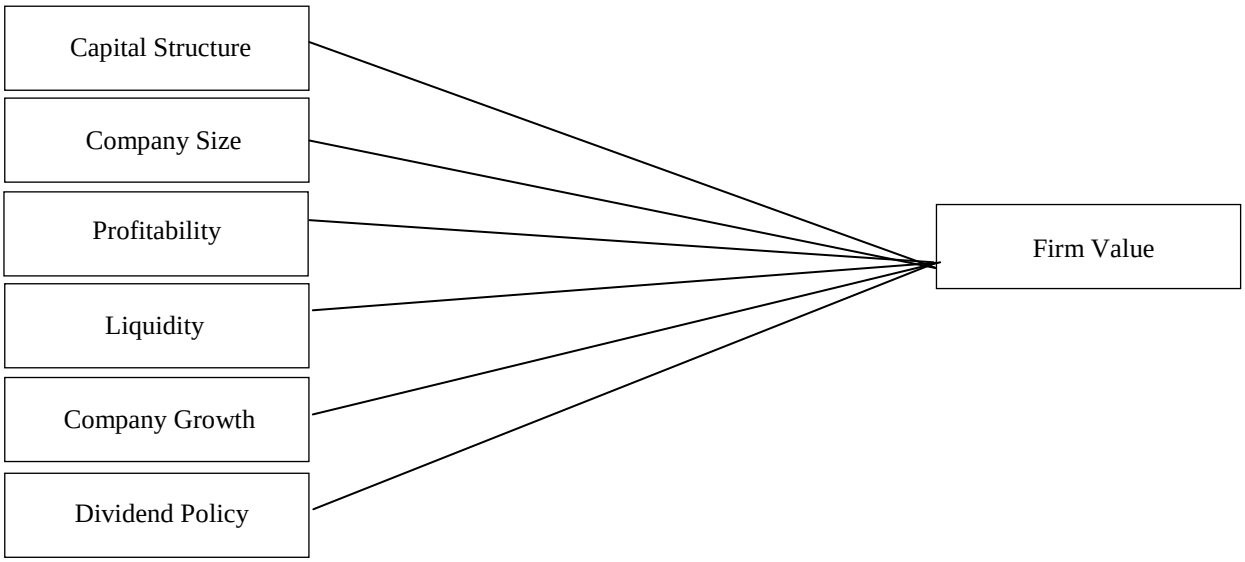

Figure 1.1 ConceptualFramework

3.1 Variable Operational Definition

3.1.1 Firm Value

A company is an organization that combines its various resources in order to produce goods and services. The firm value is the actual result achieved by the company as information about the company's success and public trust in the company. Basically, the value of the company is important. Therefore, the higher the value of the company, the higher the welfare of shareholders. Firm value is influenced by several ratios, such as company characteristics, company policies, and company capital structure.

$$\text{Tobin's Q} = \frac{Market\ Value\ of\ Equity + Total\ Liabilities}{Total\ Assets}$$

$$\text{PBV} = \frac{Stock\ Price}{Book\ Value\ of\ Shares}$$

3.1.2 Capital Structure

The capital structure is the pool of funds available to companies that come from long-term debt and capital. Funding used to meet the company's needs comes from share capital, retained earnings, and reserves. If there is a shortage of financing from company funds, the company must consider external financing such as debt financing.

$$\text{DER} = \frac{Total\ Liabilities}{Total\ Equity}$$

3.1.3 Company Size

The size of the company depends on the capital used and the total assets owned. The average total sales for a certain period can represent the size of a company The average total sales for a certain period can represent the size of a company. The company will make a high net profit after tax if its income is greater than its fixed and variable costs. An established company can be measured by the assets it owns. Large companies can easily obtain capital from various sources. This can help companies obtain loans from creditors.

SIZE = LN (Total Assets)

3.1.4 Profitability

The company's ability to generate profits through operational activities is referred to as profitability. Profitability will increase along with the increase in firm value, which will encourage investors to invest. The goal is to ensure that the company's growth over the past few years has experienced changes that are either increasing or decreasing. Profitability within the company is also measured by linking the profit earned from

operational activities to the assets owned in generating the issuer's profit.

$$\text{ROA} = \frac{Net\ Income}{Total\ Assets}$$

3.1.5 Liquidity

The liquidity ratio is the company's ability to pay off short-term and long-term debt. This ratio can influence investors to provide funds to the company. The higher this ratio, the more efficient the company is at meeting its current liabilities.

$$\text{CR} = \frac{Current\ \ Assets}{Current\ \ Liabilities}$$

3.1.6 Sales Growth

The increase in sales volume from year to year is referred to as sales growth. The growth of a business can be seen in the increase in sales volume. By increasing sales volume, the company can increase sales and profits so that it can cover the costs incurred for the company's operations. The company's growth rate can affect the company's ability to generate profits in the future.

$$\text{Sales Growth} = \frac{\text{Sales Growth } i,t-\text{Sales Growth } i,t-1}{\text{Sales Growth } i,t-1}$$

3.1.7 Dividend Policy

The policy of distributing dividends to investors is an important part of corporate governance. Dividend policy must be followed by considering the opportunity. The dividend payout ratio (DPR) determines the amount of profit distributed in the form of cash dividends and retained earnings as a source of funding. This ratio shows the percentage of company profits distributed to ordinary shareholders in the form of cash dividends.

$$\text{DPR} = \frac{Dividend\ \ Per\ Share}{Earning\ \ Per\ Share}$$

3.1.8 Control Variable

This study uses a control variable, namely a binary variable for the year, where 2020 is worth 0 and 2021 is worth 1.

3.2 Data Analysis Technique

This study uses data analysis techniques, namely descriptive statistics, classical assumption tests, and hypothesis testing. Descriptive statistics describe the data as seen from the average value (mean), median, mode, standard deviation, maximum, and minimum. The classic assumption test used in this study includes tests for normality, multicollinearity, heteroscedasticity, and autocorrelation. Hypothesis testing is done to test the effect of two or more independent variables on the dependent variable. This study uses multiple linear regression equations, which are described as follows:

Model 1

$$\text{Tobin's Q} = \alpha + \beta_1 \text{DER} + \beta_2 \text{SIZE} + \beta_3 \text{ROA} + \beta_4 \text{CR} + \beta_5 \text{PP} + \beta_6 \text{DPR} + \text{YR} + e$$

Model 2

$$\text{PBV} = \alpha + \beta_1 \text{DER} + \beta_2 \text{SIZE} + \beta_3 \text{ROA} + \beta_4 \text{CR} + \beta_5 \text{PP} + \beta_6 \text{DPR} + \text{YR} + e$$

Explanation:

Tobin's Q and PBV	= Firm Value
α	= Constant
DER	= Debt to Equity Ratio
SIZE	= SIZE
ROA	= Return on Assets
CR	= Current Ratio
PP	= Sales Growth
DPR	= Dividend Pay-out Ratio
YR	= Year
e	= Error term, namely the level of calculation error in the study

4. Results and Discussion

4.1 Descriptive Statistical Analysis

Table 2 Descriptive Statistical Analysis

Description	N	Minimum	Maximum	Mean	Std. Deviation
Tobin's Q	100	0,359	6,390	1,68824	1,113562
PBV	100	0,209	7,795	2,12857	1,770879
DER	100	0,067	2,972	0,76183	0,513019
SIZE	100	26,821	33,537	29,32658	1,625125
ROA	100	-0,030	0,243	0,06992	0,054355
CR	100	0,715	7,248	2,34225	1,331022
PP	100	-0,391	0,932	0,08806	0,230716
DPR	100	-0,683	1,619	0,43701	0,408280
Years	100	0	1	0,52	0,502

Source: Data processed by researchers, 2023

The following can be deduced from the table above:

a. The firm value is proxied using Tobin's Q and PBV measurements, each of which has a minimum value of 0.359 and 0.209 with a maximum value of 6.390 and 7.795. The average values of Tobin's Q and PBV are 1.68824 and 2.12857, respectively. Meanwhile, the standard deviation values of Tobin's Q and PBV are 1.113562 and 1.770879, respectively.
b. Capital structure (DER) of the descriptive statistical analysis shows that the minimum value is 0.067 and the maximum value is 2.972. The standard deviation value of the capital structure is 0.513019. Meanwhile, the average capital structure value of 0.76183 can be interpreted as indicating that the capital structure is able to maximize profits to meet capital requirements and profits earned.
c. Firm size (SIZE) from the descriptive statistical analysis shows that the minimum value is 26.821 and the maximum value is 33.537. The standard deviation value for company size is 1.625125. The average value of company size is 29.32658, meaning that the average company size is able to assist companies in obtaining loans from creditors because the average company size is measured by its total assets.
d. Profitability (ROA) from the descriptive statistical analysis shows that the minimum value is -0.030 and the maximum value is 0.243. The standard deviation value of profitability is 0.054355. The average profitability value of 0.06992 can be interpreted as meaning that profitability is able to bring in a profit after tax of 6.992% of its total assets. Every one rupiah of total assets is able to contribute a profit after tax of 0.06992 rupiah.
e. Liquidity (CR) from the descriptive statistical analysis shows that the minimum value is 0.715 and the maximum value is 7.248. The standard deviation value of liquidity is 1.331022. The average liquidity value of 2.34225 can be interpreted as meaning that liquidity is able to pay short-term and long-term debt. Every IDR 1 rupiah of short-term liabilities is guaranteed or borne by 2.34225 current assets.
f. Sales Growth (PP) from the descriptive statistical analysis shows that the minimum value is -0.391 and the maximum value is 0.932. The standard deviation value of sales growth is 0.230716. The average value of sales growth of 0.08806 can be interpreted as increasing sales volume so that the company can increase sales and profits so that it can cover the costs incurred by the company.
g. Dividend Policy (DPR) from descriptive statistical analysis shows that the minimum value is -0.683 and the maximum value is 1.619. The standard deviation value of the dividend policy is 0.408280. The average dividend policy value of 0.43701 can be interpreted as meaning that the company can determine the amount of profit and is able to pay dividends to investors at 0.43701.
h. The control variable, namely year, based on descriptive statistical analysis shows that the minimum value is 0 and the maximum value is 1. The standard deviation value of the year variable is 0.502. Meanwhile, the average value of the year control variable was 0.52.

4.2 Classic Assumption Test

4.2.1 Normality Test

The normality test in this study used the one-sample Kolmogorov-Smirnov nonparametric statistical test with a sig value > 0.05, so it can be concluded that the data is normally distributed. Based on the test results in this study, the significance value was below 0.05, namely 0.00. It can be concluded that the data is not normally distributed. Therefore, the CLT (Central Limit Theorem) assumption is used if the normality test gives results in

research that tend to be abnormal. If the amount of research data is quite large (n> 30), then the assumption of normality can be ignored.

4.2.2 Multicollinearity Test

Table 3. Multicollinearity Test

Model	Independent Variable	Collinearity Statistics	
		Tolerance	VIF
1	DER	0,486	2,057
	SIZE	0,856	1,169
	ROA	0,649	1,541
	CR	0,548	1,826
	PP	0,639	1,565
	DPR	0,763	1,311
	Years	0,783	1,276
2	DER	0,486	2,057
	SIZE	0,856	1,169
	ROA	0,649	1,541
	CR	0,548	1,826
	PP	0,639	1,565
	DPR	0,763	1,311
	Years	0,783	1,276

Source: Data processed by researchers, 2023

Based on the table above, in both models there are no symptoms of multicollinearity because in models 1 and 2, the tolerance value is greater than 0.10 and the variance inflation factor (VIF) value is less than 10.

4.2.3 Autocorrelation Test

Table 4. Autocorrelation Test

Model	Dependent Variable	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	Tobin's Q	0,470	0,430	0,84078	1,486
2	PBV	0,392	0,346	1,43266	1,537

Source: Data processed by researchers, 2023

Based on the table above, the results of the Durbin-Watson test from SPSS have values of 1.486 and 1.537, so the two models above show no signs of autocorrelation because they are located between -2 and +2.

4.2.4 Heteroscedasticity Test

Table 5. Heteroscedasticity Test

Model	Dependent Variable	Independent Variable	Sig.	Description
1	Tobin's Q	DER	0,598	No Heteroscedasticity Occurs
		SIZE	0,394	No Heteroscedasticity Occurs
		ROA	0,306	No Heteroscedasticity Occurs
		CR	0,923	No Heteroscedasticity Occurs
		PP	0,646	No Heteroscedasticity Occurs
		DPR	0,680	No Heteroscedasticity Occurs
		Years	0,869	No Heteroscedasticity Occurs
2	PBV	DER	0,970	No Heteroscedasticity Occurs
		SIZE	0,302	No Heteroscedasticity Occurs
		ROA	0,949	No Heteroscedasticity Occurs
		CR	0,500	No Heteroscedasticity Occurs
		PP	0,475	No Heteroscedasticity Occurs
		DPR	0,364	No Heteroscedasticity Occurs
		Years	0,935	No Heteroscedasticity Occurs

Source: Data processed by researchers, 2023

From the results of the heteroscedasticity test through the Rank Spearman Rho test, the significance value of the two dependent variable models exceeds the confidence level of 0.05 (5%) so that it can be said that this regression model has no symptoms of heteroscedasticity.

4.3 Model Feasibility Test

4.3.1 F Test

Table 6. F Test

Model	Dependent Variable	F	Sig.
1	Tobin's Q	11,666	0,000
2	PBV	8,466	0,000

Source: Data processed by researchers, 2023

Based on the table above, the results of the f test for both models show a significance value of 0.000. The significance value produced by the f test is less than 0.05, so it can be concluded that these two regression models are fit or feasible to use.

4.3.2 Determination Coefficient Test(Adjusted R^2)

Table 7. Determination Coefficient Test (Adjusted R^2)

Model	Dependent Variable	R	R Square	Adjusted R Square
1	Tobin's Q	0,686[a]	0,470	0,430
2	PBV	0,626[a]	0,392	0,346

Source: Data processed by researchers, 2023

Based on the results of the table above, the adjusted R values for the two models are 0.430 or 43%, and 0.346 or 34.6%, respectively. This illustrates that the two models both explain the dependence of capital namely firm value.

4.4 Hypothesis Test

4.4.1 Multiple LinearRegression Analysis

Table 8. Model 1 Multiple Linear Regression Test

Model	Independent Variable	Unstandardized Coefficients	Standardized Coefficients		t	Sig
		B	Std. Error	Beta		
1	Constant	2,645	1,612		1,640	0,104
	DER	0,154	0,236	0,071	0,652	0,516
	SIZE	-0,059	0,056	-0,086	-1,047	0,298
	ROA	15,682	1,930	0,765	8,127	0,000
	CR	-0,219	0,086	-0,262	-2,556	0,012
	PP	-0,689	0,458	-0,143	-1,503	0,136
	DPR	0,279	0,237	0,102	1,177	0,242
	Years	0,016	0,190	0,007	0,085	0,933

Source: Data processed by researchers, 2023

Tobin's Q = 2,645 + 0,154DER - 0,059SIZE + 15,682ROA - 0,219CR - 0,689PP + 0,279DPR+ 0,016YR + e

The following can be deduced from the table above:

a. Constant of 2.645, meaning that if the variable capital structure (DER), company size (SIZE), profitability (ROA), liquidity (CR), sales growth (PP), and dividend policy (KD), and the control variable (YR) are constant or fixed, then the firm value is 2.645.
b. The capital structure regression coefficient (DER) is 0.154, meaning that if the capital structure increases by one percent, it will cause an increase in firm value of 0.154.
c. The regression coefficient of company size (SIZE) is -0.059; if the company size increases by one percent, it will cause a decrease in firm value of 0.059.
d. The profitability regression coefficient (ROA) is 15.682, meaning that if profitability increases by one percent, it will cause an increase in firm value of 15.682.
e. The liquidity regression coefficient (CR) is -0.219; if liquidity increases by one percent, it will cause a

decrease in firm value of 0.219.

f. The regression coefficient of sales growth (PP) is -0.689; if sales growth increases by one percent, it will cause a decrease in firm value of 0.689.
g. The dividend policy regression coefficient (DPR) is 0.279, meaning that if the dividend policy increases by one percent, it will cause an increase in firm value of 0.279.

As for the interpretation based on the results of the data regression below, then the multiple linear regression equation model 2 can be obtained as follows:

Table 9. Model 2 Multiple Linear Regression Test

Model	Independent Variable	Unstandardized Coefficients	Standardized Coefficients		t	Sig
		B	Std. Error	Beta		
2	Constant	5,050	2,747		1,838	0,069
	DER	0,367	0,403	0,106	0,912	0,364
	SIZE	-0,140	0,096	-0,128	-1,461	0,147
	ROA	22,356	3,288	0,686	6,799	0,000
	CR	-0,376	0,146	-0,283	-2,572	0,012
	PP	-0,703	0,781	-0,092	-0,900	0,371
	DPR	0,591	0,404	0,136	1,463	0,147
	Years	0,046	0,324	0,013	0,141	0,888

Source: Data processed by researchers, 2023

PBV = 5,050 + 0,367DER - 0,140SIZE + 22,356ROA - 0,376CR - 0,703PP + 0,591DPR + 0,046YR + e

The following can be deduced from the table above:

a. Constant of 5.050, meaning that if the variable capital structure (DER), company size (SIZE), profitability (ROA), liquidity (CR), sales growth (PP), and dividend policy (DPR) are constant or fixed and the control variable (YR) is constant or fixed, then the value of the company is 5.050.
b. The capital structure regression coefficient (DER) is 0.367, meaning that if the capital structure increases by one percent, it will cause an increase in firm value of 0.367.
c. The regression coefficient of company size (SIZE) is -0.140; if the company size increases by one percent, it will cause a decrease in firm value of -0.140.
d. The profitability regression coefficient (ROA) is 22.356, meaning that if profitability increases by one percent, it will cause an increase in firm value of 22.356.
e. The liquidity regression coefficient (CR) is -0.376; if liquidity increases by one percent, it will cause a decrease in firm value of 0.376.
f. The regression coefficient of sales growth (PP) is -0.703; if sales growth increases by one percent, it will cause a decrease in firm value of 0.703.
g. The dividend policy regression coefficient (KD) is 0.591, meaning that if the dividend policy increases by one percent, it will cause an increase in firm value of 0.591.

4.4.2 Statistical T Test

Table 10. Model 1 and Model 2 T Tests

Model	Independent Variable	Unstandardized Coefficients	Standardized Coefficients		t	Sig
		B	Std. Error	Beta		
1	Constant	2,645	1,612		1,640	0,104
	DER	0,154	0,236	0,071	0,652	0,516
	SIZE	-0,059	0,056	-0,086	-1,047	0,298
	ROA	15,682	1,930	0,765	8,127	**0,000**
	CR	-0,219	0,086	-0,262	-2,556	**0,012**
	PP	-0,689	0,458	-0,143	-1,503	0,136
	DPR	0,279	0,237	0,102	1,177	0,242
	Years	0,016	0,190	0,007	0,085	0,933
2	Constant	5,050	2,747		1,838	0,069

	DER	0,367	0,403	0,106	0,912	0,364
	SIZE	-0,140	0,096	-0,128	-1,461	0,147
	ROA	22,356	3,288	0,686	6,799	**0,000**
	CR	-0,376	0,146	-0,283	-2,572	**0,012**
	PP	-0,703	0,781	-0,092	-0,900	0,371
	DPR	0,591	0,404	0,136	1,463	0,147
	Years	0,046	0,324	0,013	0,141	0,888

Source: Data processed by researchers, 2023

From the results of the SPSS processing of the two models above, the results of the t test output can be explained as follows:

a. Capital Structure

Based on the research that has been done, it shows that the significance value of capital structure is 0.516. These results mean that the significance value is greater than 0.05, so it can be seen that the capital structure has no effect on firm value. Based on the trade-off theory, the use of debt at a certain point can maximize tax savings. Companies with high profit levels seek to reduce taxes by increasing debt.

The results of this study are in line with Pradani & Aji (2018) on consumer goods sector companies in 2012–2016 and Gita & Yusuf (2019) on mining sector companies in 2011–2017, which state that capital structure has no effect on firm value.

b. Company Size

Based on the research that has been done, it shows that the significance value of company size is 0.298. These results mean that the significance value is greater than 0.05, so it can be seen that company size has no effect on firm value. The size of a company depends on the capital used and the total assets owned by the company. The size of the company may also have no effect on its high or low value because investors are always concerned about the company's performance and the profits it generates.

The results of this study are in line with research conducted by Natalie & Lisiantara (2022) on property and real estate companies in 2017–2020 and Sari & Widyawati (2021) on food and beverage companies in 2015–2019, which proves that company size has no effect on value.

c. Profitability

Based on the research that has been done, it shows that the significance value of profitability is 0.000. These results mean that the significance value is less than 0.05, so it can be seen that profitability has an influence on firm value. Based on the agency theory, the company will present a lot of information as a positive signal about the policies taken by the company. A high level of profitability illustrates the ability of the company's performance to generate high profits.

The results of this study are in line with research conducted by Muliana & Ahmad (2021) in food and beverage manufacturing companies in 2014–2018 and Rosalia et al. (2022) on property and real estate companies in 2015–2019, which shows that profitability affects firm value.

d. Liquidity

Based on the research that has been done, it shows that the significance value of liquidity is 0.012. These results mean that the significance value is less than 0.05, so it can be seen that liquidity has an influence on firm value. A high level of company liquidity indicates that the company has large internal funds that can be returned to investors or used to carry out company operational activities. This can increase the demand for shares, which will result in increased firm value.

The results of this study are in accordance with research conducted by Damayani & Wirawati (2022) on property and real estate companies in 2017–2019 and Dewi & Sujana (2019) on telecommunications companies in 2011–2016, which shows that liquidity affects firm value.

e. Sales Growth

Based on the research that has been done, it shows that the significance value of sales growth is 0.136. These results mean that the significance value is greater than 0.05, so it can be seen that sales growth has no effect on firm value. The increase in sales is not necessarily followed by an increase in the company's net profit. So even though sales growth increases, net profit does not necessarily increase. Therefore, when sales growth increases, it is not always accompanied by an increase in share prices, which can increase the value of the

company.

The results of this study are in line with research conducted by Dewi et al. (2020) on telecommunications companies in 2015–2018 and Rosalia et al. (2022) on property and real estate companies in 2015–2019, which proves that sales growth has no effect on firm value.

f. Dividend Policy

Based on the research that has been done, it shows that the significance value of the dividend policy is 0.242. These results mean that the significance value is greater than 0.05, so it can be seen that the dividend policy has no effect on firm value. The value of the company depends on the income generated by the assets, not how that income is distributed between dividends and retained earnings. The firm's value is determined by the company's ability to generate profit from its assets. The company will distribute dividends if its income can cover the shortage of external funding sources.

The results of this study are in accordance with the results of research conducted by Sari & Widyawati (2021) in food and beverage companies in 2015–2019 and Sitorus et al. (2020) in food and beverage companies in 2013–2017, which shows that dividend policy has no effect on firm value.

5. Conclusion

Based on the results of the tests that have been carried out, it can be concluded as follows:

a. The capital structure as measured using the Debt to Equity Ratio (DER) proxy has no effect on firm value, so H1 in this study is rejected.
b. Company size as measured using the SIZE proxy has no effect on firm value, so H2 in this study is rejected.
c. Profitability as measured using the Return on Assets (ROA) proxy affects firm value, so H3 in this study is accepted.
d. Liquidity as measured using the Current Ratio (CR) proxy affects firm value, so H4 in this study is accepted.
e. Sales growth as measured using the PP proxy has no effect on firm value, so H5 in this study is rejected.
f. Dividend policy as measured using the Dividend Payout Ratio (DPR) proxy has no effect on firm value, so H6 in this study is rejected.

6. Suggestion

Suggestions for further research are as follows:

a. Future studies are expected to be able to use a comprehensive research sample, for example, various companies in all industries in Indonesia, so that the results can be generalized.
b. The next research is expected to be able to complement other independent variables to determine their effect on firm value.
c. The next research is expected to be able to add the company year period to support more relevant and maximum research results, for example by comparing the normal period and the crisis period (namely the COVID-19 pandemic crisis).

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