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CAPITAL STRUCTURE AND PROFITABILITY ON COMPANY VALUE

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Abstract

This study aims to find out the effect of corporate social responsibility (CSR) on tax aggressiveness in manufacturing companies in the consumer goods industry sector in 2016-2018. In this study, tax aggressiveness is measured using the Effective Tax Rate (ETR). The independent variable used in this study is corporate social responsibility (CSR), while the dependent variable is tax aggressiveness. The sample in this study used a purposive sampling method and obtained 72 companies that fulfill the criteria. Analysis test using a simple linear regression analysis model. The results of this study indicate that the disclosure of corporate social responsibility (CSR) affects on tax aggressiveness. The high level of corporate social responsibility (CSR) disclosure results in a decrease in tax aggressiveness in a company.

Keyword: Disclosure of Corporate Social Responsibility (CSR), Tax Aggressiveness, Effective Tax Rate (ETR)

INTRODUCTION

The main purpose of a company that goes public or that is already listed on the Indonesia Stock Exchange is to generate profits and increase the prosperity of the owner or shareholders by increasing the value of the company (Salvatore, 2005). The higher the stock price, the higher the company value. All company owners want to have high company value, because high company value reflects high stock prices so that the company's image will be better. A high company value also makes it easier for a company to make transactions with creditors, because with a high company value the creditors will judge that the company is able to repay loans given by the creditor. Conversely, if the company value is low, the creditors will assess the low company and consider giving loans more.

The value of the company which has go public can be seen from the price of the stock that is issued by the company, if the stock price is high then the value of the company is high, and vice versa (Suharli, 2006). Firm value is very important because high company value will be followed by high shareholder wealth (Brigham and Gapensi, 1996). Firm value can be measured by PBV (Price Book Value).

Firm value can be influenced by several factors, one of which is capital structure. Capital structure is the comparison between the value of debt and the value of its own capital, which is reflected in the company's year-end financial statements. Capital structure is very important for a company because it will affect the amount of risk borne by shareholders and the amount of return or expected rate of return (Brigham and Houston, 2006). The capital structure is expected to increase firm value. Capital structure is measured using the Debt to Equity Ratio (DER).

Another factor that can affect firm value is profitability. Profitability describes the company's ability to get a profit or profit in a certain period. If the company's profitability is good, stakeholders consisting of creditors, suppliers and investors will see the extent to which the company can generate profits from sales and investment. The better the company's performance will increase the company's value. Profitability also reflects the company's ability to generate profits for shareholders. The higher the profitability ratio reflects a high return on investment for shareholders, so that it will attract the attention of investors to invest. Weston and Copeland

(1997) defines profitability is the extent to which the company generates income from sales and investment companies. If the company's profitability is good, investors will see the extent to which the company can generate profits from sales and company investments. High profitability indicates that the company is good, because the higher the profitability, the higher the income received by the company. Profitability can be measured by using the ROE (Return on Equity).

Research conducted by Mahatma Dewi and Wijaya (2013) entitled the effect of capital structure, profitability and size on firm value on the Indonesia Stock Exchange for the period 2009-2011. The results showed that capital structure has a negative effect on firm value, while profitability has a positive effect on value. company. Meanwhile, company size has no significant effect on firm value. Research conducted by Atmadja, et al. (2014) entitled the effect of capital structure, company growth and profitability on company value LQ 45 on the Indonesia Stock Exchange in 2008-2012. The results showed that the capital structure, company growth and profitability each had a positive and significant effect on firm value at the LQ 45 company on the IDX for the period 2008-2012.

Research conducted by Br. Bukit, Rina (2012) entitled the effect of capital structure on firm value through profitability: Analysis of manufacturing company panel data on the Indonesia Stock Exchange for the period 2005 - 2009. The results showed that capital structure affects profitability, and profitability affects firm value. Research conducted by Fau (2015) entitled the effect of capital structure, company growth, company size and profitability on company value in manufacturing companies listed on the Indonesia Stock Exchange. The results showed that the capital structure and profitability partially had a negative and significant effect on firm value, while company growth and company size partially had a positive and insignificant effect on firm value.

Research conducted by Manopo and Arie (2016) entitled the effect of capital structure, company size and profitability on firm value. The results showed that the capital structure has a significant effect on firm value while profitability as measured by net profit margin has no effect on firm value. Based on the results of research on capital structure, profitability, and firm value, several previous researchers have conducted this research. The results of these studies still vary or do not show consistent results regarding the effect of capital structure and profitability on firm value.

METHODS

This research uses quantitative research methods. Quantitative research is research that uses data in the form of numbers in statistical analysis. This study aims to find the effect of certain variables on other variables. And testing the research variables using multiple linear regression analysis techniques to determine the relationship of these variables. The type of data used in this study is secondary data. Secondary data is a source of research data obtained by researchers indirectly through intermediary media and recorded by other parties. Secondary data used in this study are data taken from financial reports. The population of this study is a manufacturing company on the Indonesia Stock Exchange from 2017 to 2019. Sampling using purposive sampling so that the total sample size was 33. The determination of the sample in this study considered the following criteria: 1). Basic industrial and chemical manufacturing companies listed on the Indonesia Stock Exchange in a row from 2017 to 2019. 2). Companies that published their financial statements for the period ended December 31. 3). Data availability, companies experiencing profit growth

RESULTS AND DISCUSSION

Testing data normality using the Kolmogro - Smirno technique. Test data is said to be normally distributed , with a significant value Asymp . Sig (2-tailed) of 0 , 93 > 0.05. said to be normal if the significant value is more than the sig value 0.05 or 5%. Values significantly p no multicollinearity test of this study was measured by the fulfillment of the criteria if nil ai VIF is not more than 10 and the value of tolerance is more than 0,1. The result of the multicollinearity test is VIF < 10 for all independent variables, also with a tolerance value > 0.01. It can be concluded that it did not occur symptoms multikolinieritas in the regression model. The test results show that the tolerance value for the independent variable of Capital Structure and Profitability is 0,784, each variable in Tolerance is above 0.100 and the VIF value is below 10,000 which means that the variable does not occur multicollinearity . The results of the autocorrelation test using the Durbin Watson test showed that the Durbin Watson value was 1.963. so it is obtained from the Durbin Watson table dl = 1.3212, and the value of du = 1.5770, meaning du < dw <4-du = 1.5770 <1.963 <2.423, which means there are no symptoms. The heteroscedasticity test shows the sig value. 0,000 or greater than 0.05 so it was decided that there was no indication of heteroscedasticity or the data were said to have unequal variants. So that the model is free from heteroscedasticity symptoms or the data is said to have the same variant (homoscedasticity). The t test is done by comparing the t value with the t table. If t> t table, the hypothesis can be accepted. If t count <t table, the hypothesis is rejected with significant a = 5%. Capital Structure 0.735> 0,05, then the hypothesis is rejected, Profitability is 0.575> 0.05, then the hypothesis is rejected . So it can be concluded that the capital structure and profitability have no effect on company value .

Test coefficient of determination R square of 0, 026 the magnitude of the effect of variable structure of capital and the profitability of the value of the company with the regression model by 2 6 % while the remaining 7 4 % influenced by other factors not included in the regression model .

Table 1 Data Analysis

Variable	Unstandardized Coefficients	
	B	Std. Error
(Constant)	123,065	35,124
Capital Structure	-, 168	, 493
Profitability	-, 297	, 524

Source: SPSS 2020 data processed

Based on the table above, it is obtained the form of an equation as follows: Y = 123.065 - (-0.168) X_1 + (-0 , 297) X_2 The value of the constants in the equation regression of 123.065, which means that if all the variables independent value 0, then the value of the company (Y) nilanya is 123.065. The value of the coefficient of the structure of capital to the variable X1 of -0.168. This implies that if the other independent variables are fixed and the capital structure increases by 1%, then the firm's value will increase by -0.168. Positive coefficient value means that there is a positive relationship between capital structure and firm value. The profitability coefficient value for variable X2 is -0.297. This implies that if other independent variables have fixed values and profitability has increased by 1%, then the firm's value will increase by -0.297. Positive coefficient value means that there is a positive relationship between profitability and firm value, the higher the profitability value , the higher the firm value.

The test results show that the capital structure has no effect on firm value. This is because the capital structure is not the focus of investors in the decision to buy shares in the company. Investors look more at the company's prospects based on the company's financial performance, which can be seen at the level of profit and good sales. Investors consider it natural when a company has a lot of debt as long as it is balanced with the company's ability to generate profits and a good level of sales, making investors' interest in stock demand which has an impact on the capital structure does not affect the company value.

The results of this study support the research conducted by Mahatma Dewi AS and Wirajaya (2013), and Fau (2015) which states that the partial capital structure has no effect on firm value. This shows that the capital structure owned by the company increases, it does not mean that the value of the company will increase, and vice versa. Different results are shown from the results of research conducted by Atmadja, et al. (2014) and Manapo and Arie (2016) which state that capital structure affects firm value.

The test results show that profitability has no effect on firm value. This means that the lower the profitability value obtained, the lower the firm value. Because the higher the profitability value of a company, the better the company's performance will be, so it will increase investors 'confidence to invest in the company so that the company's value will be higher with the profit income from investors' investment. In addition, profitability can measure the ability of company management in carrying out its operational activities by minimizing company expenses and maximizing company profits so as to increase company value. Likewise, if the value of profitability is low, it will reduce the value of the company, so the profitability ratio does not affect investors to invest in construction companies by seeing the amount of profit earned is unstable from year to year and tends to fluctuate so that it will not increase the company value seen from the price. shares of construction companies listed on the Indonesia Stock Exchange.

The results of this study are in line with research conducted by Mahatma Dewi AS and Wirajaya (2013, Atmadja, et al (2014), Br. Bukit, Rina (2012) which states that profitability has a significant effect on firm value. Different results are shown from the results of the study. conducted by Fau (2015) and Manapo and Arie (2016), which states that profitability has no significant effect on firm value.

CONCLUSION

Capital structure has no effect on firm value. This is because the capital structure is not the focus of investors in the decision to buy shares in the company. Investors look more at the company's prospects based on the company's financial performance, which can be seen at the level of profit and good sales. Investors consider it natural when a company has a lot of debt as long as it is balanced with the company's ability to generate profits and a good level of sales, making investors' interest in stock demand which has an impact on the capital structure does not affect the company's value. And profitability has no significant effect on firm value. This is because it does not affect investors to invest in construction companies by seeing the amount of profits they get is unstable from year to year and tends to fluctuate so that it will not increase the value of the company as seen from the stock price of construction companies that the company will get in the future.

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