# The Impact of Firm Size, Capital Structure and Dividend Policy on Firm Value during Covid-19 Pandemic

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The present study aims to obtain empirical evidence for the impact of firm size, capital structure and dividend policy on the firm value of hotel, restaurant, and tourism companies listed on the Indonesia Stock Exchange (IDX) for the years 2019-2020. The data used in this research are secondary data obtained from companies' annual reports. The study population comprised of hotel, restaurant, and tourism companies listed on IDX for the years 2019-2020. The sample consists of 24 hotel, restaurant, and tourism companies listed on IDX for the years 2019-2020 and selected using a purposive sampling technique. The study used a multiple linear regression analysis. The results suggested that firm size, capital structure, and dividend policy have no impact on the firm value of hotel, restaurant, and tourism companies listed on IDX for the years 2019-2020.

*Keywords: Firm size, Capital structure, Dividend policy, Firm value*

Penelitian ini bertujuan untuk memperoleh bukti empiris mengenai pengaruh ukuran perusahaan, struktur modal, dan kebijakan dividen terhadap nilai perusahaan pada perusahaan sub-sektor hotel, restoran, dan pariwisata yang terdaftar di Bursa Efek Indonesia (BEI) tahun 2019-2020. Sumber data penelitian ini menggunakan data sekunder yang diperoleh dari laporan tahunan perusahaan. Populasi dalam penelitian ini adalah perusahaan jasa sub-sektor hotel, restoran, dan pariwisata yang terdaftar di BEI tahun 2019-2020. Sampel dalam penelitian ini terdiri dari 24 perusahaan sub-sektor hotel, restoran, dan pariwisata yang terdaftar di BEI tahun 2019-2020 dan dipilih menggunakan metode purposive sampling. Model analisis yang digunakan dalam penelitian ini adalah analisis regresi linier berganda. Hasil penelitian ini menunjukkan bahwa ukuran perusahaan, struktur modal, dan kebijakan dividen tidak berpengaruh terhadap nilai perusahaan pada perusahaan sub-sektor hotel, restoran, dan pariwisata yang terdaftar di Bursa Efek Indonesia (BEI) tahun 2019-2020.

*Keywords: Ukuran Perusahaan, Struktur Modal, Kebijakan Dividen, Nilai Perusahaan*

# INTRODUCTION

Indonesia's economic growth rate is affected by several factors, one of which is the country's natural resources. Abundant natural resources can support economic growth and development in Indonesia and there will be many parties who can benefit from it. Natural resources utilization can take the form of land management for the purpose of starting a business in tourism sector. Several companies that manage tourism destinations in Indonesia are listed on the Indonesia Stock Exchange in order to get capital from investors. Not a few investors are interested in investing their money in this sector. Based on the Ministry of Tourism Performance Report for 2018, tourism sector contributed 5.25 percent to Gross Domestic Product and has been increasing annually. This has been possible because of other supporting sectors such as hotels and restaurants. In addition, tourism also provides jobs for many people and therefore reduces poverty and crime rates. However, tourism is one of the sectors affected by the Covid-19 pandemic so badly that all tourism related activities have been suspended to prevent the spread of Covid-19.

This study refers to earlier work by Rachmawati and Pinem (2015) assessing the Impact of Profitability, Leverage and Firm Size on Firm Value. This study differs from previous studies in that the former combined the variables used in the latter, such as firm size, capital structure, and dividend policy for the independent variables, and firm value for the dependent variable. Also, the scope of this study is focused more on hotel, restaurant and tourism companies listed on ISE for the years of 2019-2020. Over these years, Covid-19 pandemic has caused some companies to suspend their operation, especially hotel, restaurant, and tourism. For the previously mentioned reasons, this study aims to determine whether company size, capital structure and dividend policy have an impact on the firm value of hotel, restaurant, and tourism companies listed on the Indonesia Stock Exchange (IDX) for the period of 2019-2020. This research is important, especially during a pandemic. Covid-19 has had a tremendous impact on the macro economy. This is pandemic, so we had global impact, not regional or national. The companies that were sampled, hotels, restaurants, and tourism are most affected by social distancing, travel restrictions, and face-to-face restrictions activities at hotel. Researchers is going to analyze ehether this impact is true and extraordinary for the company.

# LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

This study uses the theory by Modigliani and Miller [1958] related to capital structure. This theory based on two others theories of capital structure are the trade-off theory and the packing order theory that they explain the different views on the impact of factors that affect capital structure.

## Firm Value

Firm value illustrates the condition of a company toward which potential investors can make assessment based on the company's financial performance (Mardiyati, 2015). Firm value is frequently related to a company's stock price and this can serve as the indicator of the company's success (Sujoko, 2018). To obtain a maximum profit or revenue is one of the main goals of a company. Larger amount of profit yields higher dividend paid regularly by a company to its shareholders. This will convince many potential investors to invest their money in the company. If the number of investors who bought a company share continues to increase, the firm value of that company will increase accordingly. Cooperation between company management and other parties such as shareholders and stakeholders are needed to increase firm value by making financial decisions that optimize working capital (Sukirni, 2012).

## Firm Size

The size of a company represents its proportion as seen from the total asset, amount of sales, total sales, and average total asset (Nuraina, 2012). Firm size is the average net sales of a company for a certain period (Brigham et al., 2006). The present study adopted total asset as the indicator of firm size (Anggraini and MY, 2019). The performance of a company is measured using several indicators, one of which is firm size. A large firm size indicates a company's performance in achieving a high volume of sales (Sitanggang, 2013). This has also been made possible by highly committed management of the company. The company, therefore, will attract potential investors to invest their money and convince them that they will get a substantial return on investment. This statement confirms previous works by Rachmawati and Pinem (2015) and Rahmawati (2015) stating that firm size has an impact on firm value. Based on the above descriptions, the research hypothesis can be formulated as follows:

**H₁: Firm size has an impact on firm value**

## Capital Structure

Capital structure is represented by a comparison between a company's long-term funding or long-term debt and its own capital (Harjito and Martono, 2013). The company's funding needs are met from its own capital sources such as share capital, retained earnings, and reserves (Meidiawati and Mildawati, 2016). Most companies with development boards require a largescale cash injection from external parties to increase the capacity of their business operation (Dshani and Utama, 2017). With a largescale cash at their disposal, it will be easier for a company to improve its performance and to make more profit. This in turn will increase the company's stock price and firm value. The statements mentioned above confirm previous works by Mirad and Budi (2020) and Meidiawati and Mildawati (2016). All these prove that capital structure has an impact on firm value. Thus, the research hypothesis can be formulated as follows:

**H₂: Capital structure has an impact on firm value**

### Dividend Policy

Dividend policy serves a critical role in explaining firm value. Dividend policy is concerned with the decision of whether the year-end company profit will be paid out to shareholder in cash dividend in the present or retained for later payment in order to increase the capital for future investment (Martono and Harjito, 2002). Share price can be affected by information on the dividend paid out by a company to shareholders. For prospective investors, the amount of dividend paid to shareholders can serve as an indicator of company performance (Mardiyati, 2015). A well-planned dividend policy can create a balance between the amount of present dividend and a company's future growth and is expected to improve the company's stock price and firm value (Brigham et al., 2006). This is in line with a previous study by Triani and Tarmidi (2019) stating that dividend policy has an impact on firm value. Thus, the research hypothesis can be formulated as follows:

**H₃: Dividend policy has an impact on firm value**

[Figure 1 about here.]

As the Figure 1 suggests, the dependent variable in this study is firm value (Y), while the independent variables are firm size (X1), capital structure (X2), and dividend policy (X3).

## METHODS

The study population consists of hotel, restaurant, and tourism companies listed on the Indonesia Stock Exchange (IDX) for the years 2019-2020. The sample comprised of 24 companies that operate in hotel, restaurant and tourism business listed on the Indonesia Stock Exchange (IDX) for the years 2019-2020. To select sample we used a purposive sampling technique, which is a sampling technique based on certain consideration and criteria. The criteria include companies operate in hotel, restaurant, and tourism business listed on the Indonesia Stock Exchange for the years 2019-2020, companies operate in hotel, restaurant, and tourism business that publish their annual financial reports from 2019 to 2020 consecutively, and companies in hotel, restaurant, and tourism business that provide complete data necessary for this study, Table 1.

[Table 1 about here.]

### Variables and Indicators of Variable Measurement
#### Firm Size (X₁)
According to Riyanto (1994), firm size is represented in the total asset, amount of sales, average sales, and average total assets. We used a ratio scale of the natural log of total assets as firm size measure.

#### Capital Structure (X₂)
The ratio of a company's loan capital (debt) to the value of its common stock (equity) represents the company's capital structure (Apriada and Suardikha, 2016). In this study the capital structure is measured using Debt to Equity Ratio (DER), i.e a financial ratio indicating the relative proportion of a company's total debt and total capital.

#### Dividend Policy (X₃)
Dividend policy is concerned with the decision of whether the company profit will be paid to shareholder in cash dividend in the present or retained for the interest of the company (Brigham et al., 2005). In this study, the dividend policy is proxied using dummy.

#### Firm Value (Y)
Investors view a company's success based on the firm value it gets from managing its resources optimally. Maximizing a company's asset value is the main purpose of establishing a company (Salvatore, 2005). The firm value in this study is measured using the price-to-book value (PBV) ratio.

## RESULTS AND DISCUSSION

Population in this study use annual financial report of companies operating in hotel, restaurant, and tourism business listed on the official site of Indonesia Stock Exchange (www.idx.co.id) for the years 2019-2020. The number of companies operating in hotel, restaurant, and tourism business listed on the Indonesia Stock Exchange during the research period is 35. The sample selection was conducted using a purposive sampling technique, i.e. a subjective sampling based on certain criteria and the researcher judgment. Based on the criteria used for this research, 24 companies were considered eligible with 45 financial reports in total. Classical assumptions have been carried out in this research and are fulfilled are: normality, heteroscedasticity, autocorrelation, and multicollinearity tests.

### Multiple Linear Regression Analysis

[Table 2 about here.]

Based on the results presented in Table 2, the equation for multiple linear regression can be written as follows:
Firm Value = 12,840 – 0,391UP + 0,005SM – 0,922KD
From the results of the t-test presented above, it can be stated that firm size has a significance value of $0.141 \geq 0.05$, capital structure has a significance value of $0.415 \geq 0.05$, and dividend policy has a significance value of $0.441 \geq 0.05$. This indicates that firm size, capital structure, and dividend policy have no impact on firm value.

### The Impact of Firm Size on Firm Value
The partial test (t-test) of the impact of firm size on firm value indicates a significance value of $0.141 \geq 0.05$. From this, it can be stated that firm size has no impact on firm value. This means that firm size cannot serve as a reference for investors to make their investment decision in a company. In large companies, the manager will try to optimize its managing capacity in order to increase the firm value. In small companies with a relatively inconsiderable amount of invested money, however, the profit

can be optimized. Companies with large total asset do not necessarily deliver a high return to investors because their current assets mostly consist of receivables and inventories.

The results of this study confirmed those of Meidiawati and Mildawati (2016) that studied manufacturing companies listed on the IDX for the years 2012-2014 and Anggraini and Siska 2019 that studied companies in hotel, restaurant, and tourism business listed on the IDX for the years 2015-2017, stating that firm size has no impact on firm value. However, the results run counter to those of Rachmawati and Pinem (2015) stating that firm size has an impact on firm value.

## The Impact of Capital Structure on Firm Value

The partial test (t-test) of the impact of capital structure on firm value resulted in a significance value of $0,415 \geq 0,05$. From this it can be stated that capital structure has no impact on firm value. This means that potential investors will not give much consideration to capital structure in their investment decision. A company with a large capital structure bears a great responsibility for the payment of the return of capital to debtholders. This is because the capital obtained from loan is the funding that must be repaid with interest to the debtholders. The debt burden will have the impact of declining the company profit and, therefore, the investor perception of the company. The decline in investor perception of the company will also affect the firm value (Fauzi and Aji, 2018).

The results of this study confirmed the those in previous study by Dhani and Utama (2017) of manufacturing companies listed on the IDX for the years 2013-2015 and Anggraini and Siska (2019) of companies operating in hotel, restaurant, and tourism business listed on the IDX for the years 2015-2017, stating that capital structure has no impact on firm value. However, the results run contrary to those of previous study by Meidiawati and Mildawati (2016) stating that capital structure has an impact on firm value.

### The Impact of Dividend Policy on Firm Value

The results of partial test (t-test) revealed that the impact of dividend policy on firm value has a significance value of $0.441 \geq 0.05$ which indicates that dividend policy has no impact on firm value. This is in line with Modigliani and Miller (1958) who proposed that firm value is not defined by the amount of dividend, but rather by net profit before tax and company risk. Thus, both the increase and decrease in dividend per share will have no impact on firm value. Dividend is considered only as complementary and does not affect the welfare of shareholders. Also, dividend policy does not affect firm value because shareholders focus more on short term profit and capital gain. Investors considered stock dividend as being small and less profitable than the capital gain in future years (Kusumastuti and Dyah, 2013).

The results confirmed those of earlier studies by Meidiawati and Mildawati (2016) of manufacturing companies listed on

IDX for the years 2012-2014 and by Anita and Yulianto 2016 of manufacturing companies listed on IDX for the years 2010-2013, stating that dividend policy has no impact on firm value. However, the findings run contrary to previous study by Triani and Tarmidi (2019) of property and real estate companies listed on the IDX for the years 2013-2016, stating that dividend policy has a significant impact on firm value.

The findings might have been affected by the fact that the period was too short to determine the impact of Covid-19 pandemic on companies operating in hotel, restaurant, and tourism business. It is highly likely that this impact will be reflected in the financial statements published after 2020 in case the pandemic will last for a longer time.

## CONCLUSION

The results and discussion presented in earlier section lead us to the conclusion that firm size, capital structure, and dividend policy have no impact on the firm value of companies in hotel, restaurant, and tourism business listed on the Indonesia Stock Exchange for the years 2019-2020.

We have found in this study some limitations such as the existence of outlier in the data and some extreme data must, therefore, be removed. Thus, the amount of data used in this study is very limited. However, this problem can be solved by changing the formula for the variables and sorting out every single outlier, starting from the most extreme data in order to avoid removing too much data. In addition, the study has Adjusted R-Square value of 0.035 or 3.5% which means that the independent variables have only 3.5% impact on firm value and the rest 96.5% came from other factors not included in the study. Thus, it can be concluded that the independent variables in this study have a quite limited capability to explain the dependent variable. We recommend that future researches explore more information concerning related factors not included in this study yet potentially affecting the firm value.

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## LIST OF TABLE

**Table 1.  Companies Sample**

| No. | Company Name | Code |
|-----|--------------|------|
| 1 | Bayu Buana Tbk | BAYU |
| 2 | Citra Putra Realty Tbk | CLAY |
| 3 | Dafam Property Indonesia Tbk | DFAM |
| 4 | Eastparc Hotel Tbk | EAST |
| 5 | Hotel Fitra International Tbk | FITT |
| 6 | Menteng Heritage Realty Tbk | HRME |
| 7 | Island Concepts Indonesia Tbk | ICON |
| 8 | Indonesian Paradise Property Tbk | INPP |
| 9 | Graha Andrasenta Propertindo Tbk | JGLE |
| 10 | Jakarta International Hotel and Development Tbk | JIHD |
| 11 | Jakarta Setiabudi International Tbk | JSPT |
| 12 | MAP Boga Adiperkasa Tbk | MAPB |
| 13 | Sanurhasta Mitra Tbk | MINA |
| 14 | Nusantara Properti Indonesia Tbk | NATO |
| 15 | Panorama Sentrawisata Tbk | PANR |
| 16 | Destinasi Tirta Nusantara Tbk | PDES |
| 17 | Pembangunan Graha Lestari Indah Tbk | PGLI |
| 18 | Pembangunan Jaya Ancol Tbk | PJAA |
| 19 | Pudjiadi and Sons Tbk | PNSE |
| 20 | Red Planet Indonesia Tbk | PSKT |
| 21 | Pioneering Gourment International Tbk | PTSP |
| 22 | Sarimelati Kencana Tbk | PZZA |
| 23 | Hotel Sahid Jaya Intenational Tbk | SHID |
| 24 | Satria Mega Kencana Tbk | SOTS |

Source: Processed data, 2021

**Table 2. The Results of Multiple Linear Regression Analysis**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 12.840 | 7.253 | | 1.770 | .084 |
| | Firm Size | -.391 | .260 | -.227 | -1.502 | .141 |
| | Capital Structure | .005 | .006 | .125 | .824 | .415 |
| | Dummy Dividend Policy | -.922 | 1.185 | -.117 | -.778 | .441 |

## Table of Figure

**Figure 1/Conceptual Framework**