
Article

The Impact of Dividend Policy, Capital Structure, and Profitability on the Firm Value of PT Adaro Energy

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Abstract: This study investigates how dividend policy, capital structure and profitability affect the value of PT Adaro Energy, a coal mining company operating in Indonesia. The aim of this research is to gain a better understanding of the relationship between these three factors on the Company Value of PT Adaro Energy using a quantitative approach. The sample used was 96 respondents who were taken using the lemmeshow formula, data was collected through a questionnaire which had been tested for validity and reliability. The method used is multiple linear regression with SPSS 24 software. The research results show that the variables (1) Dividend Policy, (2) Capital Structure, (3) Profitability have a positive effect on the PT Adaro Energy Company Value variable.

It is hoped that this research will be useful for investors, financial analysts, and parties interested in measuring and understanding how coal mining companies function in a changing economy.

Keywords: Dividend Policy, Capital Structure, Profitability, Company Value, Adaro Energy, Lemmeshow.

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1. Introduction

The production of coal in Indonesia experienced significant growth from 2008 to 2012, averaging a 13% annual increase, reaching an annual production of 200 million tons. Despite recent fluctuations in coal prices, the coal mining sector remains a key contributor to Indonesia's economy, constituting 7.2% of total natural resource revenue, contributing to the GDP and tax revenue. The impact of the COVID-19 pandemic has led to increased coal export demand in the international market.

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PT Adaro Energy Tbk, an integrated energy company in Indonesia, operates in energy, coal, utilities, and other sectors. The company plays a vital role in the coal mining industry, contributing to both the economy and government revenue. Research indicates that dividend policy, capital structure, and profitability influence the value of PT Adaro Energy. While dividend policy and capital structure enhance company value, profitability shows no significant effect.

Additional studies highlight the influence of capital structure, profitability, and company size on firm value. Larger companies may not necessarily have higher values. PT Adaro Energy Tbk, as one of the largest coal mining companies in Indonesia, aims to expand its presence in India, indicating its commitment to increasing value through profit and market growth. The company's diverse subsidiaries in various sectors contribute to its expansion and increased value.

Research suggests that altering dividend policies, capital structure, and improving operational efficiency, market expansion, and profitability can enhance the company's value. The company's plans for growth and the positive impact of its capital structure on value are evident. The study emphasizes the need for management to focus on these factors to increase investor returns.

In conclusion, PT Adaro Energy Tbk's role as a significant player in the coal mining industry and its efforts to enhance value through strategic decisions make it essential to analyze the impact of dividend policy, capital structure, and profitability on the company's value. The research aims to provide insights for management to make informed decisions and further elevate the company's value, considering various factors influencing the coal mining industry.

The researcher's motivation stems from the company's recent financial performance, where net income has shown consistent growth, and the increasing number of investors reflects a keen interest in Adaro Energy. Against this backdrop, the study titled "The Impact of Dividend Policy, Capital Structure, and Profitability on the Value of PT Adaro Energy" aims to delve deeper into these influential factors.

2. Literature

2.1 Company Value

According to Abdullah, a company's value represents the present worth of expected future cash flows or income. It is a crucial measure reflecting how investors perceive a company's future prospects. Various factors influence company value, including dividend policies, capital structure, profitability, and external audit quality. Increasing company value instills market confidence in its performance and future prospects.

2.2 Dividend Policy

The decision to distribute profits to shareholders, known as dividend policy, impacts a company's value. High dividend payouts can signal positive future prospects to investors. Additional dividend theories include Relevance Theory, Signaling Theory, and the Bird-in-the-Hand Theory, each offering insights into the relationship between dividend policies and company value. Various dividend policy types, such as cash, stock, property, liquidation, and debt promise dividends, provide companies with flexibility.

2.3 Capital Structure

Defined as the long-term funding composition, capital structure is the balance between debt and equity. It directly affects a company's financial position and, consequently, its value. The choice of funding sources, including long-term debt, bank loans, bonds, preferred and common stock, plays a critical role in forming an optimal capital structure. Theoretical perspectives on capital structure encompass the Trade-Off Theory, Pecking Order Theory, and Market Timing Theory, each highlighting different considerations in achieving an optimal structure.

2.4 Profitability

Profitability, the ability to generate earnings from operational activities, significantly impacts company value. Common measures include Gross Profit Margin, Net Profit Margin, Return on Assets (ROA), Return on Equity (ROE), Return on Investment (ROI), and Earnings per Share (EPS). Profitability theories, such as the Agency Theory, Pecking Order Theory, and Market Timing Theory, suggest that higher profitability mitigates conflicts between management and shareholders, influences funding choices, and affects the timing of issuing stocks or bonds.

In conclusion, understanding the interplay between dividend policies, capital structure, and profitability is crucial for companies seeking to enhance their value. The literature review provides insights into how these factors influence investor perceptions, market confidence, and overall company performance in the dynamic landscape of corporate finance.

3. Methods

The researcher employed a quantitative approach for this study, guided by the principles outlined [1]. Quantitative research is a systematic scientific study of components, phenomena, and their interrelationships. The primary objective of quantitative research is to develop and utilize mathematical models, theories, and/or hypotheses to understand natural phenomena. This approach involves measurement, providing insights into fundamental quantitative relationships.

3.1 Data Collection

In quantitative research, data acquisition can be achieved through various methods, including interviews, questionnaires or surveys, and observations. For the purposes of this study, the researcher opted to utilize questionnaires to gather data from the selected sample.

3.2 Sampling Technique

The sampling technique involved the distribution of structured questionnaires to the targeted respondents. The use of questionnaires enables a systematic and standardized collection of data, facilitating the quantitative analysis of responses. The researcher aimed to ensure a representative sample that could provide insights into the variables under investigation.

3.3 Instrumentation

The primary instrument employed for data collection was a structured questionnaire. The

questionnaire was designed to elicit responses related to the variables of interest, namely dividend policy, capital structure, profitability, and company value. The questions were carefully formulated to align with the research objectives and the theoretical framework, allowing for the quantification of responses.

3.4 Data Analysis

Quantitative data collected through the questionnaires were subjected to rigorous statistical analysis. Descriptive statistics, such as mean, median, and standard deviation, were employed to summarize and interpret the key features of the dataset. Additionally, inferential statistical methods, including regression analysis, were utilized to examine the relationships and correlations among the variables.

3.5 Ethical Considerations

The researcher ensured ethical practices throughout the research process. Informed consent was obtained from the participants, emphasizing the voluntary nature of their participation. Confidentiality of responses was maintained, and the collected data were used solely for the purpose of this research.

In summary, the quantitative methodology employed in this study aimed to systematically measure and analyze the identified variables through the administration of structured questionnaires, providing a robust foundation for investigating the relationships between dividend policy, capital structure, profitability, and company value.

4. Results

4.1 Characteristics of Respondents

In this study, the researcher collected data from 96 respondents who have experience investing in PT Adaro Energy. The characteristics of the respondents were analyzed based on age, gender, domicile, and occupation.

1. Characteristics Based on Age

The majority of respondents (47.9%) fell within the age range of 18-25 years, indicating that most investors and students with investment experience in PT Adaro Energy are in this age group.

2. Characteristics Based on Gender

The data revealed that 68.75% of the respondents were female, while 31.25% were male. This suggests a higher participation of female respondents in the study.

3. Characteristics Based on Domicile

The analysis based on domicile showed that 31.25% of the respondents reside outside the Jabodetabek area, indicating a diverse geographic distribution among the participants.

Results and Discussion describes the research steps, including research design, research procedures, processing, research results and analysis of research results. The author can add the required subheadings in this section. It should provide a concise and precise

description of the experimental results, their interpretation, as well as the experimental conclusions that can be drawn.

4.2 Descriptive Analysis of Research Variables

The research variables include Knowledge of Dividend Policy, Knowledge of Capital Structure, Profitability, and Perceived Company Value. The descriptive analysis provides insights into the respondents' perceptions and understanding of these variables.

1 Knowledge of Dividend Policy

The analysis indicates that respondents generally recognize the importance of consistent dividend policies (68.6%), understanding that optimal dividend policies reflect management commitment and enhance company value.

2 Knowledge of Capital Structure

The respondents demonstrate awareness that an optimal capital structure reflects management commitment and contributes to increased company value (58.6%).

3 Knowledge of Profitability

Respondents acknowledge the significance of considering various profitability ratios in assessing optimal profitability (62.9%) and the stabilizing effect of profitability on investors and company value.

4 Perceived Company Value

The respondents believe that company value is influenced by factors such as dividend policies, capital structure, and profitability, with varying degrees of agreement across different statements.

4.2 Instrument Testing

4.2.1 Validity Test

The validity test confirmed the validity of the survey instrument, with all questions showing significant correlations, ensuring the reliability of the collected data.

4.2.2. Reliability Test

The reliability test, using Cronbach's Alpha, indicated high reliability for all knowledge variables (Dividend Policy, Capital Structure, Profitability, and Perceived Company Value).

4.3 Classical Assumption Test

4.3.1. Normality Test

The normality test, conducted through visual inspection and the Kolmogorov- Smirnov test, showed that the data is normally distributed.

4.3.2 Multicollinearity Test

The multicollinearity test revealed no issues, as all variables exhibited VIF values below 10 and tolerance values above 0.1.

4.3.3. Heteroskedasticity Test

Both graphical and statistical tests for heteroskedasticity confirmed that the residuals do not violate the assumption of homoscedasticity.

4.4 Hypothesis Testing

4.4.1. Partial Test (t-test)

Knowledge of Dividend Policy (X1) did not significantly influence the Perceived Company Value (Y) (p-value = 0.550 > 0.05).

Knowledge of Capital Structure (X2) significantly influenced Perceived Company Value (Y) (p-value = 0.000 < 0.05).

Knowledge of Profitability (X3) significantly influenced Perceived Company Value (Y) (p-value = 0.011 < 0.05).

4.4.2. Simultaneous Test (F-test)

The F-test indicated that the joint influence of Knowledge of Dividend Policy, Knowledge of Capital Structure, and Knowledge of Profitability on Perceived Company Value is significant (p-value = 0.000 < 0.05).

4.4.3. R-squared Analysis

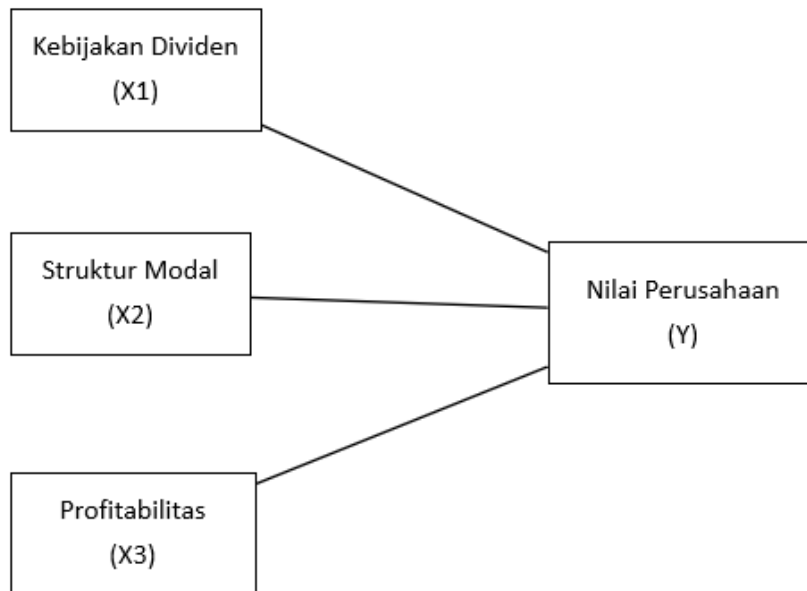
The coefficient of determination (R^2) is 0.480, indicating that 48.0% of the variance in Perceived Company Value is explained by Knowledge of Dividend Policy, Knowledge of Capital Structure, and Knowledge of Profitability.

4.5 Multiple Linear Regression Analysis

The multiple linear regression model for Perceived Company Value (Y) is represented as follows:

$$Y = 3.463 - 0.059X_1 + 0.473X_2 + 0.266X_3$$

This equation suggests that Knowledge of Capital Structure (X2) and Knowledge of Profitability (X3) have a significant positive impact on Perceived Company Value. However, Knowledge of Dividend Policy (X1) does not have a significant influence.



5. Discussion

The research findings indicate several key insights into the relationship between dividend policy, capital structure, profitability, and firm value at PT Adaro Energy. Firstly, the majority of respondents, consisting mainly of investors and students with investment experience in PT Adaro Energy, fall within the age range of 18-25 years, with females comprising 68.75% of the sample. Geographically, a significant portion of respondents resides outside the Jabodetabek area, revealing a diversified demographic. The descriptive analysis of variables such as knowledge of dividend policy, capital structure, profitability, and perceived firm value provides a comprehensive overview of respondent characteristics.

In terms of the respondents' knowledge of dividend policy, the analysis reveals that the majority of participants acknowledge the importance of consistent dividend policies in enhancing firm value. Additionally, the study finds that optimal dividend policies demonstrating management commitment and positively affecting company performance, are well-understood by the respondents. Concerns about the potential negative impact of fluctuating or too-low dividend policies on investor uncertainty and firm value are also evident. Similarly, the analysis of knowledge related to capital structure highlights respondents' understanding of the optimal balance required to signify management commitment and avoid excessive reliance on debt, which may increase bankruptcy risks.

Regarding profitability knowledge, the findings show that respondents recognize the importance of considering various profitability ratios, such as Net Profit Margin, Return on Assets, and Return on Equity, for optimal financial performance. Stable profitability is perceived as providing certainty to investors and positively influencing firm value. On the other hand, low profitability is associated with poor financial performance and a potential decline in firm value. The results also suggest that respondents comprehend the impact of

optimal profitability on factors such as dividend policy, capital structure, and overall firm value.

The study employs regression analysis to examine the simultaneous influence of dividend policy, capital structure, and profitability on perceived firm value. The results demonstrate that capital structure and profitability significantly contribute to the perceived value of PT Adaro Energy. In contrast, dividend policy does not exhibit a significant individual effect on firm value. This highlights the intricate interplay between these financial factors in shaping stakeholders' perceptions of a company's overall worth.

6. Conclusion and Recommendations

In summary, the research highlights the importance of dividend policy and profitability as crucial determinants of PT Adaro Energy's value. The positive and significant influence of these factors underscores their role in shaping investors' perceptions and, consequently, the overall financial performance of the company. On the other hand, the non-significant impact of capital structure and company size suggests that these aspects may not be as influential in determining the company's value in the context of PT Adaro Energy.

These findings emphasize the need for proactive management strategies that prioritize effective dividend policies and actions to enhance profitability. By considering these factors, companies can make informed decisions aimed at bolstering their overall value. Additionally, it is crucial for companies to recognize the broader spectrum of factors influencing company value, including company size, debt policies, growth patterns, liquidity, and corporate age. Addressing these factors collectively will contribute to a more comprehensive approach in decision-making processes, ultimately leading to sustained improvement in the company's value.

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Conflicts of Interest: The authors declare no conflict of interest.

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