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LITERATURE REVIEW : THE INFLUENCE OF CAPITAL STRUCTURE, DIVIDEND POLICY,COMPANY VALUE ON PROFITABILITY: CASE STUDY OF PT. UNILEVER TBK. 2018 – 2022

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A B S T R A C T

This research is a literature review examiningthe influence of capital structure, dividend policy, company value on profitability. This research focuses on large companies in Indonesia, namely the casePT. Unilever Tbk. The period used in this research is 2018 – 2022 where the research problem raised is the decline in the company's net profit. This research will test the influence of capital structure, dividend policy, company value on profitability using SPSS statistical tools by testing classical assumptions and testing hypotheses with the t test and f test.

INTRODUCTION

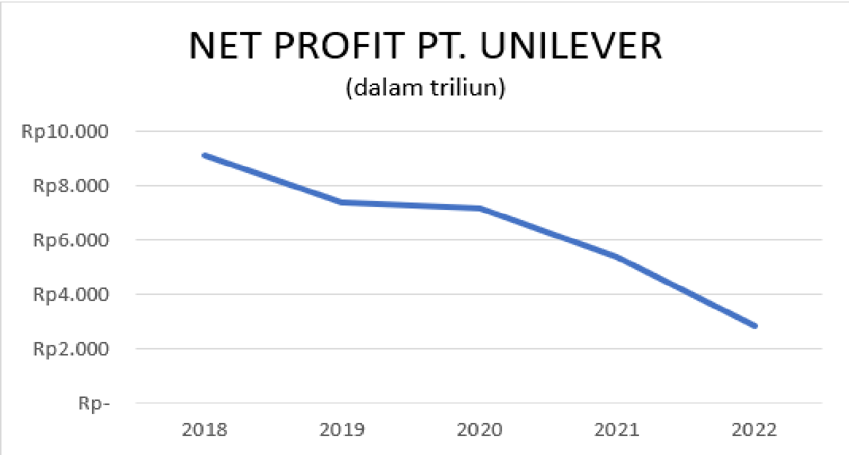
Tight competition in various aspects cannot be avoided, especially in the business and corporate world. Basically, every company in carrying out its activities has its own goals, but the main goal is to achieve a maximum level of profit and the survival of the company. According to Munawir (2007:33), profitability is a ratio that represents a company's ability to generate profits within a certain period of time. Meanwhile, according to Sartono (2010: 122), profitability is a company's ability to make profits which are related to income, total assets and equity. However, if the company's profitability is higher, the company will continue to develop and be able to compete in this era of industry 4.0 evolution.

One of the factors that must be considered in measuring a company's success in order to realize company operations that are effective and efficient in generating the company's profits is the capital structure. Because capital structure is one of the important issues in every company regarding the company's financial position.

In the era of Industrial Revolution 4.0, many manufacturing companies have developed and are listed on the Indonesian Securities Exchange, including

PT. Unileeveer Indonesia, Tbk, was founded on December 5, 1933, where this company is a multinational company that produces consumer goods (food, drinks, cleaning products and personal consumers) with its head office in Rotteerdam, Beelanda.

Below is a graph of PT's net profit. Unileeveer Indonesia, Tbk in the 2018 – 2022 period



Source : processed data 2023

Based on the data above, it can be seen that the net profit of PT. Unileeveer Indonesia, Tbk seems to experience decline every year. As seen in the graph in 2018, it is the year with the highest net profit, namely Rp. 9,109,000,000.

Therefore, based on the description above, the researchers were interested in conducting research entitled "The Influence of Capital Structure, Dividend Policy, and Company Value on Profitability: Case Study of PT. Unileeveer Indonesia, Tbk in the 2018-2022 peer period"

THEORETICAL REVIEW

Profitability

Kasmir (2019) explains that profitability is a ratio to calculate an industry's ability to make a profit or gain in a certain period. This ratio can also provide dimensions of the level of efficiency of industrial management which can be shown from profits obtained from sales or from investment income. Sartono (2010) defines profitability as a ratio to measure the ability of an industry to create profits whether related to sales, assets or profits.

Capital Structure

Capital structure is a balance or comparison between one's own capital and foreign capital. In this case, foreign capital is short-term debt or long-term debt. Meanwhile, capital itself is divided into retained earnings and company ownership. Addaee (2013) explains that capital structure is a source of composition of funds managed by industry in carrying out its business activities to achieve levels of profitability.

The maximum capital structure considers several aspects including taxes, agency costs and financial distress costs, at a time when the costs caused by the use of debt continue to become large, which means that there is a trade-off between costs and benefits. use of debt (Sartono, 2010: 225). Deciding on an efficient capital structure will be able to reduce capital expenditure which will ultimately increase industry profitability. Having the right working capital will enable the industry to grow well. Efficient, effective and productive management will greatly influence industrial performance (Adi Peermana et al., 2021).

Dividen Policy

Dividend policy is a decision whether the profits earned by the company will be distributed to shareholders as dividends or whether they will be retained in the form of retained earnings for investment financing when they arrive. If the industry chooses to release profits as dividends, this will reduce retained profits and in turn will reduce the total sources of internal funds or internal financing (Husnan, 2013).

For Soudana (2015: 26), the Dividend Payout Ratio (DPR) is a ratio that measures the share of net profit after tax paid as dividends to share holders. The greater the ratio, the less profit is retained to finance industrial investment

Company Value

Fahmi (2015) defines industrial value as a ratio that describes the conditions that apply in the market. This ratio can provide an explanation to industrial management about the performance conditions that need to be implemented and their consequences in the future. Industry value is the actual value of peer shares that will be realized if industrial assets are sold at the share price.

Increasing industrial value is the main goal of the industry. According to Santoso (2015: 65), industrial value - which comes from stock market value - is significantly influenced by investment potential. Investment opportunities can increase the value of the industry by providing a beneficial impact on its development in the future. Industry value can be calculated using the market value ratio. One of the ratios used to determine industry value is Price Book Value (PBV) (Fahmi, 2014).

Framework

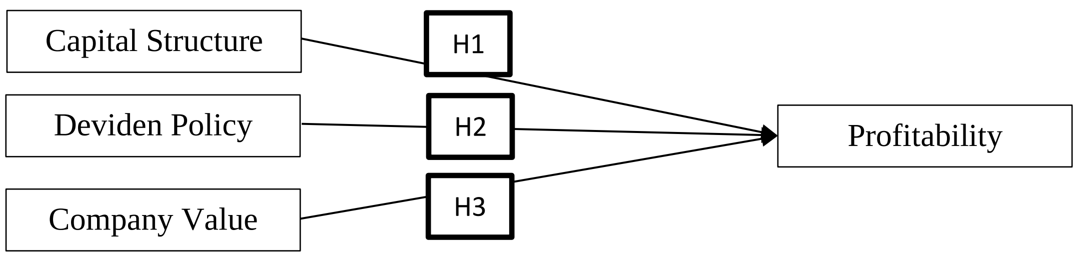


Figure 1. Conceptual Framework

Hypothesis

Debt policy is defined as a decision regarding the financial components chosen by the company. Sources of funding in the business world are divided into two types, namely internal funding and external funding. Every company hopes for an optimal capital structure, namely a capital structure that maximizes the value of the company and minimizes the cost of capital. According to pecking order theory, external funds are preferred in the form of debt rather than own capital for 2 reasons, namely consideration of emission payments, where bond emission payments are cheaper compared to the emission fee for new shares.

This is because the issuance of new shares will lower the price of old shares. The second reason is that managers are concerned that the issuance of new shares could be interpreted as bad news by investors, causing a decline in the value of the industry (Kasmir, 2012).
H1: There is a positive influence between Capital Structure and Profitability

Basically, industrial net profits can be retained as retained earnings to fund industrial investment, or can be paid as dividends to shareholders. The policy that regulates the amount of profit distributed to shareholders by industry is known as the dividend policy (Heerawati, 2013).

The research findings of Wijaya and Wibawa (2010) support the opinion that dividend policy increases profitability. Investors will interpret the increase in dividends as a sign of optimism regarding industry prospects in the future based on the information content of dividend theory. A shrinking dividend indicates a negative view of the industry's prospects in the near future, while a dividend payment indicates a positive change in managers' expectations.
H2: There is a positive influence between Dividend Policy on Profitability

High profitability reflects good business performance. Industries that have large profitability are industries that investors are interested in. Large profitability will indicate good industry prospects, large profitability will be considered as a positive signal by investors and will encourage investors or prospective investors to invest in the industry in question. With so much demand, the value of the industry will continue to improve, this will be reflected in share prices on the market. Based on the above explanation, the hypothesis of this research is:
H3: There is a positive influence between Company Value and Profitability

METHODOLOGY

This research uses a quantitative approach to statistical data. Research approaches that respond to research cases require careful measurements of the variables of the object under study in order to create conclusions that can be generalized regardless of the context of time, place and situation.

Based on the background and problem formulation presented, this research uses a quantitative approach to measure the influence of capital structure, audit policy, company value on profitability at PT. Unileevee Indonesia, Tbk. in the 2018 – 2022.

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