

Analysis of the Influence of Capital Structure on Corporate Values

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Keyword: Firm Values, Capital Structure, Price to Book Value, Debt to Assets Ratio, Restaurants, Hotels, and Tourism

Abstract: High firm value creation is the duty of a company's financial managers. The firm value need to be reviewed any factors that influence it. Therefore, this study aimed to determine the influence of capital structure towards the corporate value. The study conducted on a sub-sector of restaurants, hotels, and tourism along with the development of tourism industry in Indonesia. In this study, the data used in the form of secondary data taken from the company's financial statements last 7 years, the year of 2012-2018. The data used for capital structure is the ratio of total debt to total assets (debt to assets ratio/ DAR) and the corporate value using the ratio of the stock market price to book value (price to book value/ PBV). Both ratios arranged in the form of pool data (time series and cross-section). Descriptive and verification analyze by EViews version 9, a specialized software for pool data processing. The results from the research found that the capital structure influential positively and significantly to the firm value. The influence magnitude of the capital structure to the corporate value amounted to 72% in favor of Modigliani & Miller's Capital Structure theory and in line with the results of Hermuningsih's research about the influence of profitability, growth opportunity, and capital structure toward the corporate value at public companies in Indonesia.

1 INTRODUCTION

Tourism continues to be one of the economic sectors in the best position to foster inclusive socioeconomic growth, reduce sustainable unemployment, foster peace and can help protect environmental sustainability (UNWTO, 2018).

Tourism is the biggest source of income contribution to the country's GDP (Gross Domestic Product). Total tourism revenue is increasing every year. In 2016, tourism revenue reached US \$ 11,933.61 million, in 2015 it was US \$ 11,760.74 million, and in 2014 it was 11,166.67 million. This means that tourism income in Indonesia always increases by around 1 % (Kemenpar, 2018).

The results of the Indonesian Central Statistics Agency (BPS) show that the number of foreign tourist arrivals in Indonesia during 2018 was 15.81 million visits. Whereas in the previous year, 2017 was 14.04 million visits, meaning the number of foreign tourists visiting Indonesia increased by 12.58 percent from the previous year.

Some companies engaged in the tourism sector in Indonesia are currently advancing because they

can compete with other companies and have good financial performance in the sense that the company gets an adequate profit. There are also companies that experience setbacks, because they cannot compete with other companies and have poor financial performance in the sense that the company suffers losses.

The purpose of this study is to analyze the company's financial performance to determine the effect of capital structure on firm value in the restaurants, hotels and tourism sub-sector companies.

This paper was prepared under the title "ANALYSIS OF THE INFLUENCE OF CAPITAL STRUCTURES ON CORPORATE VALUES", Case Study of Restaurant, Hotel and Tourism Sub Sector Companies Listed on the Indonesia Stock Exchange for the 2012-2018 Period, which is expected to broaden knowledge about financial management and be beneficial for the development of financial management. business in restaurants, hotels and tourism.

2 LITERATURE REVIEW

2.1 Tourism, Restaurants and Hotels

According to the Law of the Republic of Indonesia Number 10 Year 2009 concerning tourism. Tourism is a variety of tourism activities and is supported by various facilities and services provided by the community, business people, government, and local government.

According to the Regulation of the Minister of Tourism and Creative Economy of the Republic of Indonesia Number 11 Year 2014 concerning Standards of Restaurant Business, Restaurant Business is a business providing food and beverage services equipped with equipment and equipment for the process of making, storing and serving in a fixed place that is not moved with the aim obtain profits.

According to the Regulation of the Minister of Tourism and Creative Economy of the Republic of Indonesia Number 53 of 2013 concerning Hotel Business Standards, Hotel Business is a business providing accommodation in the form of rooms in a building, which can be equipped with food and drink services, entertainment activities and / or other facilities on a daily basis with the aim of making a profit.

2.2 Financial Management

Financial management is a matter related to effective fund management in business. Put simply, Financial Management is like what is done by a business company that can be referred to as a Finance Corporation or Business Finance (Paramasivan & Subramanian, 2009).

Effective and efficient procurement of financial use leads to the use of finance with business attention. This is an important part of financial managers. Therefore, financial managers must determine the basic objectives of financial management. The objectives of financial management are broadly divided into two sections such as (Paramasivan & Subramanian, 2009):

- Profit maximization
- Wealth maximization .

2.3 Capital Structure

Capital structure is defined as the combination of debt and equity used to finance real investment. The capital structure reflects the company's financing

strategy, for example, the overall debt-equity ratio target, and financing tactics, for example, managing the time of a particular debt problem (Myers, 2000).

According to Modigliani and Miller (MM) theory , some of the main problems faced by financial managers are how the right step of the company can finance its assets in order to increase the value of the company. Do you use the source of funds from debt or by issuing shares (Wiyono & Kusuma, 2017).

2.4 Corporate Value

Company Value is a perception of investors on the level of success of the company and is usually associated with stock prices. High stock prices make the value of the company high too, and can increase market confidence, company performance, and company prospects in the future (Riadi, 2017).

2.5 Hypothesis

The hypothesis in this study is that based on previous research, that capital structure has a significant positive effect on firm value. , by conducting a Case Study of Restaurant, Hotel and Tourism Sub Sector Companies Listed on the Indonesia Stock Exchange for the 2012-2018 Period.

3 RESEARCH METHODS

The object of this research is financial statement data related to capital structure and firm value. The method used in penelitan This is a descriptive method, namely p enelitian describes the conditions actually occur on the object of research, by collecting, analyzing, and menginterpretasikan the data obtained and draw conclusions from the results penelitan them. The implementation of descriptive research method in this study is to illustrate the effect of capital structure on firm value using the company's annual financial statements and a summary of the company's performance listed on the Indonesia Stock Exchange in the 2012-2018 restaurant, hotel and tourism sub-sectors.

The sampling technique in this study used the purposive sampling technique. The author will take a total of 16 samples from a total of 25 companies with the consideration of the company that will be analyzed to make an initial public offer (IPO) of at least 7 years of the research year and have complete financial data.

In this study, the authors use quantitative data in the form of source data which is data obtained in the form of publication results. The data source used in this study is secondary data and panel data type (combined time series with cross section). The author analyzes panel data using EViews version 9 software.

Both variables will be analyzed descriptively statistically first, aiming to find out the value of the variables in this study aimed at discussing how the influence of capital structure on firm value in the restaurant, hotel and tourism sub-sectors listed on the Indonesia Stock Exchange in 2012- 2018. To find out the average (mean), the highest value, and the lowest value from the data collected.

Furthermore, to determine the relationship and influence between variables will be tested using a regression estimation model. In regression analysis, will determine a linear model between one or more independent variables (independent) against one or more of the dependent variable (dependent) (Pramesti, 2018) .

Mathematically, the equation of the simple linear regression analysis model can be described as follows:

$$Y = a + bX + e$$

In this study, consisting of 2 variables, it will use a simple linear regression method. Then will test Anova (test F), the coefficient of determination (R-Squared), cationation (R), and the correlation coefficient (t test) The analyzed data is panel data on 16 companies in a period of 7 years (2012-2018).

Table 1: Output of Analysis Descriptive Statistic

Date: 09/14/19 Time: 05:53 Sample: 2012 2018		
	PBV	DAR
Mean	2.049294	0.407158
Median	1.189007	0.424952
Maximum	13.97337	0.760000
Minimum	0.194235	0.120000
Std. Dev.	2.449452	0.143878
Skewness	2.795519	0.219418
Kurtosis	11.37549	2.803525
Jarque-Bera	473.2396	1.078840
Probability	0.000000	0.583086
Sum	229.5209	45.60174
Sum Sq. Dev.	665.9794	2.297783
Observations	112	112

Source: Data Process, 2019

4 RESEARCH RESULTS AND DISCUSSION

4.1. Data Processing Results

EViews data processing is carried out to test the regression between capital structure and company value in the restaurant, hotel and tourism sub-sector companies listed on the Indonesia Stock Exchange in the 2012-2018 period. The test results can be seen in the following output:

Table 2: Output of Regression Estimation

Dependent Variable: ?PBV Method: Pooled Least Squares Date: 09/14/19 Time: 05:22 Sample: 2012 2018 Included observations: 7 Cross-sections included: 16 Total pool (balanced) observations: 112				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.529531	0.912995	-0.579994	0.5633
?DAR	6.333715	2.219351	2.853859	0.0053
Fixed Effects (Cross)				
_BAYU-C	-1.374210			
_BUVA-C	-0.756546			
_FAST-C	0.548718			
_HOME-C	1.235346			
_ICON-C	0.253560			
_INPP-C	-0.586618			
_JIHD-C	-0.758019			
_JSPT-C	-0.548527			
_MAMI-C	-0.560252			
_PANR-C	-2.679922			
_PDES-C	-0.762828			
_FOLI-C	0.437383			
_PJAA-C	-1.061765			
_PNSE-C	0.081393			
_PTSP-C	6.786408			
_SHID-C	-0.254121			
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.728123	Mean dependent var	2.049294	
Adjusted R-squared	0.682333	S.D. dependent var	2.449452	
S.E. of regression	1.380559	Akaike info criterion	3.621803	
Sum squared resid	181.0645	Schwarz criterion	4.034432	
Log likelihood	-185.5210	Hannan-Quinn criter.	3.789220	
F-statistic	15.90142	Durbin-Watson stat	1.175670	
Prob(F-statistic)	0.000000			

Source: Data Process,2019

Table 3: Output of Regression Equation

_BAYUPBV = -1.37420992315 - 0.529531424584 + 6.33371477535* BAYUDAR
_BUVAPBV = -0.756545861646 - 0.529531424584 + 6.33371477535* BUVADAR
_FASTPBV = 0.548718206194 - 0.529531424584 + 6.33371477535* FASTDAR
_HOMEPBV = 1.2353455268 - 0.529531424584 + 6.33371477535* HOMEDAR
_ICONPBV = 0.253560268395 - 0.529531424584 + 6.33371477535* ICONDAR
_INPPPBV = -0.586618066506 - 0.529531424584 + 6.33371477535* INPPDAR
_JIHDPBV = -0.758018899319 - 0.529531424584 + 6.33371477535* JIHDDAR
_JSPTPBV = -0.548527469727 - 0.529531424584 + 6.33371477535* JSPTDAR
_MAMIPBV = -0.560252005763 - 0.529531424584 + 6.33371477535* MAMIDAR
_PANRPBV = -2.67992156065 -

$0.529531424584 + 6.33371477535 * \text{PANRDAR}$
$\text{PDESPBV} = -0.762827924256 -$
$0.529531424584 + 6.33371477535 * \text{PDESDAR}$
$\text{PGLIPBV} = 0.437383135042 - 0.529531424584$
$+ 6.33371477535 * \text{PGLIDAR}$
$\text{PJAAPBV} = -1.0617650351 - 0.529531424584$
$+ 6.33371477535 * \text{PJAADAR}$
$\text{PNSEPBV} = 0.0813929003004 -$
$0.529531424584 + 6.33371477535 * \text{PNSEDAR}$
$\text{PTSPPBV} = 6.78640770294 - 0.529531424584$
$+ 6.33371477535 * \text{PTSPDAR}$
$\text{SHIDPBV} = -0.254120993553 -$
$0.529531424584 + 6.33371477535 * \text{SHIDDAR}$

Source: Data Process 2019

4.2. Discussion

Based on the data obtained in table 1, the average DAR value in the restaurant, hotel and pariwisata sub-sector for the 2012-2018 period was 0.407, meaning that the average of all restaurant, hotel and tourism sub-sector companies or using debt. as much as 40.7 % in the composition of capital and the rest comes from own capital, such as shares and retained earnings. The highest value is the value of 0.76, meaning that there are companies in the capital mem il iki debt composition by 76 %. Its low point with a value of 0.12, meaning that there are companies in the capital mem il iki debt composition by 12 %.

Based on the data obtained in table 1 as well, the average PBV value in the restaurants, hotels, and pariwisata sub-sectors for the 2012-2018 period is 2.05, meaning that the average investors are willing to pay for shares 2.05 times that of company book value. The highest value is the ICON company in 2012 with a value of 13.97, meaning that the storers are willing to pay for shares 13.97 times the book value of the company. The lowest value is the MAMI company in 2014 with a value of 0.19, meaning that investors are only willing to pay for shares 0.19 times the book value of the company.

Based on results in Table 2, shows the flood wa F-statistic value of 15.90 with a value (Prob) 0.000 <0.05 significance level. Then H_0 is rejected and can be interpreted variable capital structure have a linear relationship to the variable corporate value.

The values of coefficient determination (R-Squared) by 0.728 or 72.8%. This shows that the corporate value (PBV) can be influenced by the capital structure (DAR) of 72.8% and the rest is 27.2% is influenced by other things in the restaurant, hotel and tourism sub-sector companies. Furthermore, the results show that DAR has a significant positive effect on PBV.

To determine the correlation (R) between variables, can be done by way of rooting the results of R-Squared (\sqrt{R}), can be obtained by the R value of 0.853 with a sense of direction both variables have a relationship / strong positive influence. shows that the t-statistic value is 2.85 with a value (Prob) 0.0053 <significan level 0.05. Then H_0 is rejected and can be interpreted variable capital structure significantly influence the variable value of the company.

Table 3 shows the regression equations for each company.

5 CONCLUSIONS

Based on the results of the study , it can be concluded that the capital structure of the restaurant, hotel and tourism sub-sector companies listed on the Indonesia Stock Exchange in the 2012-2018 period varied in determining the composition of debt as a source of capital. The value of the company in the restaurant, hotel and tourism sub-sector companies listed on the Indonesia Stock Exchange for the period 2012-2018 varies, which means that investors are able to pay shares several times the company's book value. Furthermore, the capital structure has a linear relationship and has a significant positive effect on firm value in the restaurant, hotel and tourism sub-sectors listed on the Indonesia Stock Exchange in the 2012-2018 period.

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