THE EFFECT OF CAPITAL STRUCTURE AND DIVERSIFICATION STRATEGIES ON FIRM VALUE

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ABSTRACT

This study aims to empirically prove the effect of capital structure and diversification strategies on firm value. The independent variables used in this study are capital structure and diversification strategy while the dependent variable is the value of the company measured by the Tobins'q formula. To obtain valid results, testing is done on each variable based on a hypothesis. This research was conducted at the Property and Real Estate Companies Listed on the Indonesia Stock Exchange (IDX) in 2014 - 2018. The research method used was descriptive quantitative. The type of data used is secondary data in the form of financial statements published by Property and Real Estate companies listed on the Indonesia Stock Exchange (IDX) in 2014 - 2018. Samples were collected by purposive sampling method. The number of companies sampled in this study were 26 companies with a study period of 5 years, so that 130 samples were obtained. Processing data using Eviews versions 10 and 11 for windows by collecting related data, then calculating capital structure, diversification strategies and company value and testing using panel data models, multiple linear regression tests, hypothesis testing (f test and t test) and Technical Analysis of the coefficient of determination test. The results of this study indicate that partially the capital structure affects the firm's value and the diversification strategy does not affect the firm's value. While the results of simultaneous testing show that capital structure and diversification strategies affect the value of the company.

Keywords: Capital Structure, Diversification Strategy, Company Value

ABSTRAK

Penelitian ini bertujuan untuk membuktikan secara empiris pengaruh struktur modal dan strategi diversifikasi terhadap nilai perusahaan. Variabel independent yang digunakan dalam penelitian ini adalah struktur modal dan trategi diversifikasi sedangkan variabel dependennya dalah nilai perusahaan yang diukur dengan rumus Tobins'q. untuk memperoleh hasil yang valid, maka dilakukanlah pengujian pada setiap variabel berdasarkan hipotesis. Penelitian ini dilakukan di perusahaan Property dan Real Estate Yang Terdaftar Di Bursa Efek Indonesia (BEI) Tahun 2014 – 2018. Metode penelitian yang dipakai adalah deskriptif kuantitatif. Jenis data yang digunakan adalah data sekunder berupa laporan keuangan publikasi perusahaan Property dan Real Estate yang terdaftar di Bursa Efek Indonesia (BEI) tahun 2014 – 2018. Sampel dikumpulkan dengan metode purposive sampling. Jumlah perusahaan yang dijadikan sampel penelitian ini adalah 26 perusahaan dengan periode penelitian selama 5 tahun, sehingga diperoleh 130 sampel. Pengolahan data menggunakan Eviews versi 10 dan 11 for windows dengan mengumpulkan data-data yang terkait, kemudian menghitung struktur modal, strategi diversifikasi dan nilai perusahaan serta melakukan pengujian dengan menggunakan model data panel, uji regresi linear berganda, uji hipotesis (uji f dan uji t) dan Teknik Analisa uji koefisien determinasi. Hasil penelitian ini menunjukkan bahwa secara parsial struktur modal berpengaruh terhadap nilai

perusahaan dan strategi diversifikasi tidak berpengaruh terhadap nilai perusahaan. Sedangkan hasil pengujian secara simultan menunjukkan bahwa struktur modal dan strategi diversifikasi berpengaruh terhadap nilai perusahaan.

Kata Kunci : Struktur Modal, Strategi Diversifikasi, Nilai Perusahaan

Introduction

The property and real estate business is a business known for its fast-changing, persistent and complex characteristics. The increase in property prices today is due to the fact that land prices tend to rise every year and the land supply is increasing in size along with the increase in population and the increase in human needs for housing, offices, and others.

Just like any other business, this property and real estate business is experiencing increasingly fierce competition from day to day. This causes every company to strive to maintain the survival of its company. Basically, the company's goal is to seek the maximum profit / profit. However, along with the times and technological advances, the company's goal is to develop prosperity for every stakeholder and maximize the value of the company which is reflected in the value of its shares.

The value of shares will increase if the value of the company increases which is indicated by a high rate of return to shareholders. Every company listed on the Indonesia Stock Exchange (IDX) wants the price of shares to be sold to have a high potential price and attract investors to buy them. This is because, the higher the stock price, the higher the value of the company because the market believes not only in the company's current performance, but also in the company's prospects in the future.

The share price here is the price that occurs on the stock exchange at a certain time determined by market players and is determined by the demand and supply of the relevant shares in the capital market. The higher the supply level, the lower the share price tends to be and vice versa.

But in reality, the stretch in investing in the property sector is still considered lukewarm. In July 2017, reported by CNN Indonesia, citing data from the IDX, the property sector index corrected 0.77% to the level of 491,948. Even in January 2018, the sector index fell by 5.67% on a current year basis. This can be seen from the price of several property issuers which experienced a decline throughout the week, one of which is PT. Pakuwon Jati Tbk (PWON) fell 2.4% to the level of Rp 610 per share. This decline also occurred in PT. Metropolitan Kentjana Tbk (MKPI) up to 3.61% at the level of Rp24,500 per share and PT. Jaya Real Estate Property Tbk (JRPT) 1.19% to the level of Rp 825 per share.

As happened in February 2018, it was reported on www.merdeka.com that the Composite Stock Price Index (IHSG) was weakening. A number of sectors enter the red zone or fall, one of which is the property sector. Several companies that experienced a decline, quoted from RTI Business, such as PT. Agung Podomoro Land Tbk (APLN) fell 12 points or 5.31% to Rp. 214, PT. Ciputra Development

Tbk (CTRA) fell 40 points or 3.01% to Rp 1,290, and PT. Bumi Serpong Damai Tbk (BSDE) fell 75 points or 4.09% to Rp 1,760.

In August 2018, as reported by Kontan.co.id regarding the property business that is still slowing down, it was reported that during the year to date, stocks in the property sector have recorded a significant decline. From IDX data, stocks in the property, real estate and construction sectors have decreased by 7.84% since the beginning of the year. The Jakarta Composite Index (JCI) closed down 0.89% at the level of 6,115.13 in the first trading session, which was the lowest daily value since May 29, 2019. (CNBC Indonesia)

If the stock price of a company decreases, the investor's perception of the company's success rate will decrease, this will result in a decrease in demand for shares and a decrease in the company's value.

To raise the stock price again, a strategy is needed. One of the strategies is related to financial management. Financial management must take important decisions taken by the company, including investment decisions and funding decisions. An optimal combination of the two will maximize the value of the company which is reflected in the stock price. To overcome this funding, capital structure decisions are important, because capital structure is the center of financial management decisions in determining how decisions are determined by the company. Generally, the industry standard in capital structure is 90% where the use of own capital must be more than debt.

In addition to the capital structure used to carry out operations, to increase the value of the company you can also carry out a diversification strategy, this is evident from Harto's research (2007) which shows that 81% of real estate, infrastructure and utility companies as well as diversified trading and services will increase the value of the company.

Literature Review

Signal Theory

Jogiyanto (2013) states that information published as an announcement will provide a signal for investors in making investment decisions. If the information presented by the company is considered beneficial, then investors will be interested, and will not hesitate to invest funds in the company in exchange for the benefits solely so that this will increase the value of a company.

Firm Value

In making funding decisions, financial managers need to first assess what needs to be budgeted and what does not need to be budgeted in determining the company's goals to be achieved. The right funding decision will be able to maximize company value. According to Bukit (2012), company value is the perception of investors towards a company that is linked to the stock price.

Meanwhile, according to Lestari (2015), company value is the value that occurs when the company value is high, the share price is also high.

There are many ways that can be used to assess a company, one of which is using the appraisal ratio. According to Sudana (2011: 23), the appraisal ratio is a ratio

related to the assessment of the performance of the shares of companies that have been traded on the capital market. This assessment ratio will provide information on how much the public appreciates the company, so that people are interested in buying shares at a price higher than its book value. The method used to measure this valuation ratio in relation to firm value is Tobins, Q

$$\textit{Tobins' Q} = \frac{\text{MVS + D}}{\text{TA}}$$

Information :

MVS = market value of equity, which is obtained by multiplying the number of shares outstanding by the closing price of the shares.
D = total debt
TA = total assets.

Capital Structure

Capital structure theory explains the company's funding policy in determining the capital structure (ratio between debt and equity) which is a source of strength in carrying out company activities. According to Sartono (2011: 225), capital structure is a balance between the amount of permanent short-term debt, long-term debt, preferred stock and common stock. Meanwhile, according to Fahmi (2014), the capital structure is a description of the form of the company's financial proportion, namely the capital owned by long-term debt and equity. Meanwhile, according to Sudana (2011) capital structure is the long-term spending of a company as measured by the ratio of long-term debt to its own capital.

$$\text{DER} = \frac{\text{Total Debt}}{\text{Toal Equity}} \text{ x 100\%}$$

Diversivication Strategies

According to Tantra & Wesnawati (2017) Diversification strategy is a company growth strategy at the corporate level that is carried out in order to gain an advantage in competition, as well as the ability to create company value above the average competitor, by selecting and managing different businesses and businesses that compete in competition. a different industry or product market. This diversification can also be done in the form of adding new products that are not related to existing products. The formula used to find the value of strategy diversification is :

$$\text{HERF} = \frac{\sum_{i=1}^{n} Segsales^2}{(\sum_{i=1}^{n} Sales)^2}$$

Description:
Segsales = Sales of individual segments
Sales = Total Sales Keterangan :

The following is a picture of the framework in this study:

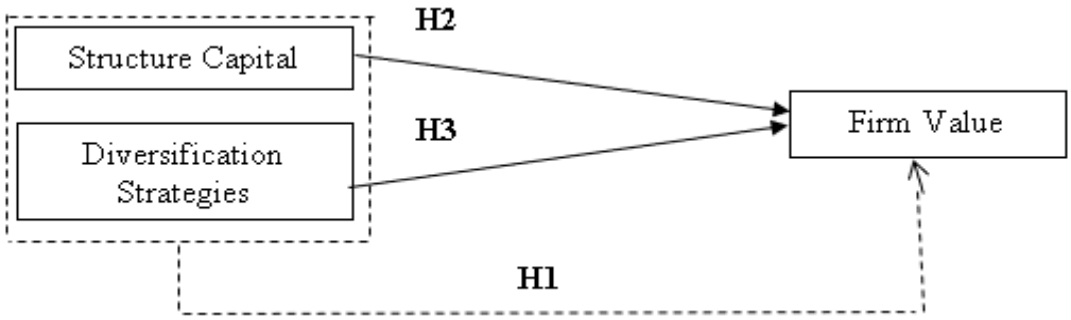


Figure 1. Framework

Figure 1 explain silmutaneosly through H1the effect between structure capital and diversification strategies variables on firm value variable, and also explains partially through H2 and H3 the effect of each structure capital and diversification strategies variable on firm value variable.

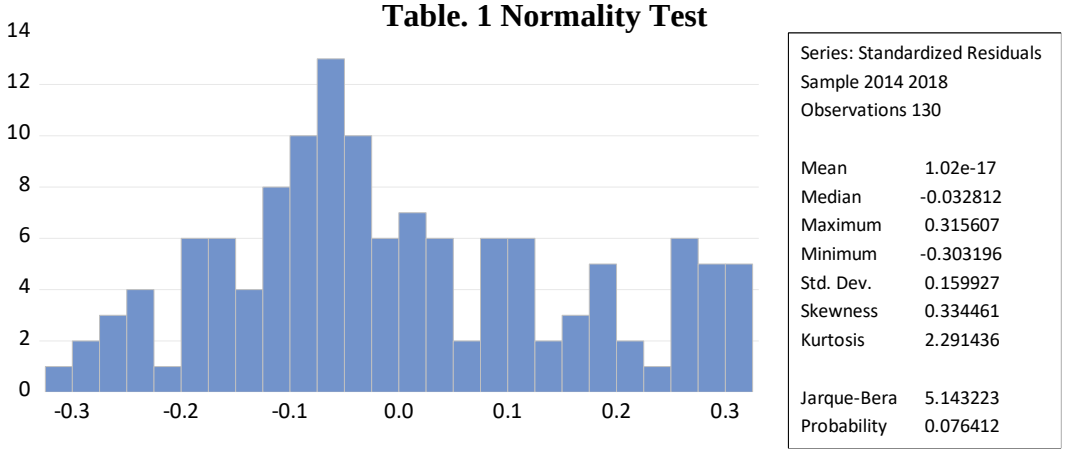
Research Methodology

This research uses a descriptive research model with a quantitative approach, as stated by Sugiyono (2012: 8), namely a research method based on the positivism philosophy, used to research on a specific population or sample, data collection using research instruments, quantitative / statistical data analysis, with the aim to test the hypothesis that has been set. While descriptive research is research conducted to determine the value of independent variables, either one or more variables without making comparisons, or connecting with other variables (Sugiyono, 2012: 13). Based on this theory, quantitative descriptive research is data obtained from a sample of the study population, then analyzed according to the statistical method used

The population in this research is property and real estate companies listed on the Indonesia Stock Exchange (BEI) 2014-2018, totaling 54 companies. In this study, the sampling technique used a purposive sampling method, namely by setting specific characteristics or criteria as follows: 1) Property and real estate companies listed on the Indonesia Stock Exchange (IDX) during the 2014 - 2018 period. 2) Companies that publish financial reports yearly during the period 2014 - 2018 and entered the category of property and real estate companies. 3) Companies that report financial reports for the period 31 December each year and use rupiah units during the 2014 - 2018 period. 4) Companies that carry out a diversification strategy that is visible in the market business segments in the annual financial statements. The test tool used is Eviews 11.

Research Results And Discussion

Table. 1 Normality Test



Based on the figure above, the Probability value of Jaeque - Bera is greater than the significant alpha value of 5% (0.05). The value of Jarque - Bera is 5.143223 with the Probability of 0.076412. So it can be read, that the probability of Jarque - Bera is 0.076412, which is greater than 5% alpha significance. This means that the residuals are normally distributed, so that the classic assumptions in the regression model have met the normality assumption.

Table 2. Heterocedaticity Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey

Null hypothesis: Homoskedasticity

F-statistic	0.552743	Prob. F(2,127)	0.5767
Obs*R-squared	1.121835	Prob. Chi-Square(2)	0.5707
Scaled explained SS	2.313235	Prob. Chi-Square(2)	0.3145

Test Equation:

Dependent Variable: RESID^2

Method: Least Squares

Date: 07/04/20 Time: 14:16

Sample: 1 130

Included observations: 130

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.076854	0.021852	3.517009	0.0006
DER	-0.027395	0.026839	-1.020702	0.3093

HHI	-0.001624	0.013886	-0.116990	0.9071

R-squared	0.008629	Mean dependent var	0.057392
Adjusted R-squared	-0.006983	S.D. dependent var	0.119765
S.E. of regression	0.120183	Akaike info criterion	-1.376804
Sum squared resid	1.834368	Schwarz criterion	-1.310630
Log likelihood	92.49225	Hannan-Quinn criter.	-1.349915
F-statistic	0.552743	Durbin-Watson stat	1.817586
Prob(F-statistic)	0.576747		

The data from the table above is the Heteroscedasticity Test with the Breusch - Pagan - Godfrey Method, the Chi-Square Probability Value on Obs * R-Squared is 0.5707> 0.05, meaning that there are no symptoms of heteroscedasticity..

Table 3. Multikolinearity Test

Multikolinearitas Test Vif Method

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
DER	0.002930	3.935579	1.017312
HHI	0.000784	1.788218	1.017312
C	0.001942	4.297848	NA

From the table above, the value of Centered VIF for the independent variables, namely Capital Structure (DER), Diversification Strategy (HERF), Corporate Social Responsibility (CSRi) for Company Value (Tobins'Q) is less than 10, so there is no multicollinearity symptom in the data.

Table. 4 Autocorrelation Test

Autocorrelation Test With Series LM 100

Breusch-Godfrey Serial Correlation LM Test:
Null hypothesis: No serial correlation at up to 100 lags

F-statistic	2.103885	Prob. F(100,27)	0.0146
Obs*R-squared	115.2141	Prob. Chi-Square(100)	0.1418

The prob obs * R-squared value is 0.1418> 0.05, the data is free from autocorrelation

Table 5 Multiple Linear Regression Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DER	0.227955	0.014701	15.50565	0.0000
HERF	0.000345	0.001310	0.262991	0.7931
C	-0.188324	0.017238	-10.92480	0.0000

Obtained multiple linear regression equation as follows:

Tobins'Q (Y) = -0.188324 + 0.227955 (DER) + 0.000345 (HERF) + e

The figures shown in the equation are taken from the output estimation table. The regression coefficient for the Capital Structure variable (DER) is 0.227955 and the Diversification Strategy variable (HERF) is 0.000345. A constant of -0.188324 is negative, which means that the Capital Structure Variable (DER) and the Diversification Strategy (HERF) are considered constant, so the value that occurs in the Firm Value is -0.188324. The regression coefficient for the Capital Structure variable (DER) is 0.227955, meaning that every 1 percent increase with other variables is constant, then the Capital Structure (DER) increases by 0.227955. The regression coefficient for the Diversification Strategy (HERF) variable is 0.000345, meaning that every 1 percent increase with other variables being constant, the Diversification Strategy (HERF) increases by 0.000345.

Table. 6 Significance Test (F Test Statistic)

F-statistic	87.75472
Prob(F-statistic)	0.000000

Based on the table above, it shows that the value of Fcount is 87,75472, while Ftable with a significance level of 0.05 df1 (k-1) = (3-1) = 2 and df2 (nk) = (130-3) = 127 obtained Ftable of 3.07 . Thus Fcount> Ftable (87.75472> 3.06), meaning that the independent variable has an influence on the dependent variable, the significant level in the table is (0.00000 <0.05), then H0 is rejected or H1 is accepted.

Table. 7 Partial Regression Coefficient Test (T Test)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DER	0.227955	0.014701	15.50565	0.0000
HERF	0.000345	0.001310	0.262991	0.7931
C	-0.188324	0.017238	-10.92480	0.0000

The table above shows that the results of the Partial Test (T Test) that have been carried out are as follows:

1. The Capital Structure Variable (DER) has a Tcount of 15.50565. When compared with T-table at a significant level of 0.05 df (n-k-1) = (130-3-1) = 126, which is equal to 1.65714, then T-count is greater than T-table (15.50565> 1.65714). The significant probability value of 0.0000 also shows a value that is smaller than the value at the predetermined significance level of 0.05 (0.0000 <0.05), then H0 is rejected and H1 is accepted. Thus it can be concluded that the capital structure variable which is proxied by the Debt Equity Ratio (DER) has a positive and significant effect on Firm Value.
2. Diversification Strategy Variable (HERF) has a tcount of 0.262991. When compared with T-table at a significant level of 0.05 df (n-k-1) = (130-3-1) = 126 which is equal to 1.65714, then T-count is smaller than T-table (0.262991> 1.65714). The significant probability value of 0.0000 also shows a value that is smaller than the value at the predetermined significance level of 0.05 (0.7931> 0.05), so H0 is accepted and H2 is rejected. Thus it can be concluded that the Diversification Strategy variable as proxied by HERF does not affect Firm Value.

Table 8 Test of the Coefficient of Determination (R2)

Weighted Statistics

Root MSE	0.159311	R-squared	0.958727
Mean dependent var	-0.124836	Adjusted R-squared	0.947802
S.D. dependent var	0.817376	S.E. of regression	0.179853
Sum squared resid	3.299398	F-statistic	87.75472
Durbin-Watson stat	1.552231	Prob(F-statistic)	0.000000

Based on the table above, it is obtained that the Adjusted R-squared value is 0.947802, this value shows that the independent variables jointly affect the dependent variable by 94.78%, while the difference is 5.22% explained by other variables outside the selected variables.

Conclusion

1. The capital structure and diversification strategy together have a significant effect on firm value in property and real estate companies. This is because if a company has a capital structure below the optimal point, then any additional debt in its funding, especially if the debt is beneficial, can increase the level of profitability and company value. Then, related to the diversification strategy, this strategy can be utilized by business players in expanding their business towards new market segmentation so as to increase the number of customers, locations and services.
2. Capital structure has a significant influence on firm value in property and real estate companies. Capital structure is a financial combination of own capital and borrowed capital (debt). The optimal capital structure is a capital structure that can take into account the balance of risk and return. In accordance with the Trade Off Theory, if a company has a capital structure above the optimal point, then any additional debt will decrease the company's value. Conversely, if a company has a capital structure below the optimal point, then any additional debt will increase firm value.
3. Diversification strategy does not have a significant effect on firm value in property and real estate companies. This diversification strategy does not affect firm value based on the results of the significance test greater than 0.05, which is equal to 0.7931. This is made possible by the existence of this diversification that is not in accordance with market desires so that it does not run well and does not affect firm value.

Suggestion

1. The results of this study are used as material for the company's consideration in determining its capital structure. Because the optimal capital structure is a capital structure that optimizes the balance between risk and return so as to maximize share prices.
2. The results of this study are used as material for the company's consideration in implementing a diversification strategy, where management should pay attention to decisions related to diversification strategies, especially for companies in the growth stage because the implementation of these strategies can affect firm value.

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