CHAPTER 1

INTRODUCTION

1.1 Background

The international investors, Indonesia's healthcare sector offer the profitable prospects investments due to large market size and the implementation of the universal healthcare program, which has increased healthcare access and demand for hospitals, doctors, and medical equipment. The Omnibus Law authored from the government to enchance the future investment country environment, which as structural significant change aimed to minimizing the bureuaucratic also the regulatory burden which impedes both domestic and global business frequently (Sukorini, 2021). The government of Indonesia released the much-anticipated new list investment with Presidential Regulation No. 10 2021 about the Investment Sectors to implememt the Omnibus law, that the goal to enhance job creation and accelerate the economic development.

Table 1.1 Omnibus Law-Health

Business Activity	Negative List	New Investment List (2021)
Hospitals	67% foreign ownership (70% for ASEAN investors)	Open for 100% foreign ownership, but subject to minimum number of beds
Pharmaceutical Manufacturing	85% maximum foreign ownership	Open for 100% foreign ownership
Pharmaceutical Wholesaler	Closed for foreign ownership	Open for 100% foreign ownership
Raw Pharmaceutical Wholesaler	Closed for foreign ownership	Open for 100% foreign ownership
Medical Devices Distributor	Maximum 49% foreign ownership	Open for 100% foreign ownership
Medical Devices Testing	Maximum 67% foreign ownership	Open for 100% foreign ownership

Source: Presidential Regulation No. 10 of 2021

Omnibus Law has a significant impact on investors in Indonesia, it can be seen on the table 1.1, by reducing regulatory requirements and bureaucracy, it aims to improve the investment climate, both domestically and internationally. This can lead to increased investment, job creation, and accelerated economic development. The law covers various aspects of investment, such as government investment, capital participation, and the protection of businesses. It also regulates the establishment of securities companies and the maximum ownership of shares by foreign entities in joint securities companies (Sukorini, 2021). Overall, the Omnibus Law is designed to streamline the investment process and create a more attractive environment for investors.

Investors require condition of company information also the capital market before investing their funds. The information needed by investors should be relevant to their position as potential company owners (Pandiangan, et al., 2022). The first concern is the security of the investment, and the second is the returns or profits from the investment.

The capital market role in an economy is crucial. It provides a variety of investment options for investors and serves as a means of channeling funds from investors to entities in need of capital, such as companies, through the stock sale also bonds (Hirdinis, 2019). It also presence the investors to purchase company stocks with the receiving expectation returns in dividends forms or capital gains (Sari & Azzahra, 2023). Additionally, issuers can utilize these funds for the company's interests excluding to wait the for funds from the company operations.

The objectives could be separated into two groups: immediate and long-term goals (Ahmad, 2021). The long-term goal is to maximize value, whereas the short-term goal is to maximize profits with the resources at hand. It reflects the shareholders' prosperity, where a high company value shows high shareholder prosperity, and vice versa (Hasanuddin, 2021). The reason it reflects the success of company that would influence the company investor impression. The business value is important.

The firm primary goal is to enhance its shareholders' wealth or value, which can be achieved through dividends or capital gains. Firm value is influenced by both endogenous and exogenous factors, with this study focusing on the endogenous (firm-specific) factors. According to Signaling Theory related to firm value by suggesting that companies send signals to investors about their financial health and prospects through their actions, particularly their capital structure choices (Komara et al., 2020). While Trade-Off Theory provides insights into how companies can enhance their firm value by strategically determining their capital structure mix to optimize benefits while managing risks effectively (Ghazouani, 2013). Balancing the advantages and drawbacks of debt financing is essential for maximizing shareholder wealth and overall firm value. Companies with strong financial positions and bright futures tend to exhibit higher debt levels and potentially higher dividend payouts, communicating their confidence in their ability to manage debt and distribute profit (Rehman, 2016). Many factors can influence firm value, including capital structure, dividend policy, profitability, and total asset turnover. Over time, the company growth also anticipated because the company’s assets rise in amount investment proportion, the corporate growth impacted the company value, thus it might represent the business's accelerating expansion through the profits it generates (Alhabsji et.al., 2017).

Capital structure can also influence the value of firm. The term "structure" refers to the arrangement of various parts (Rehman, 2016). The funds arrangement from several sources to get Capital structure is the company's long-term financial requirement. The proportion of long-term debt, earnings retained, debentures, capital equity, capital share preference, and another long-term source of funding in the total capital that the business must obtain to support its operations or capital structure (Shah & Khan, 2007). The crucial investigation required to guarantee that the dividend policy and capital structure adhere to the business plan. The primary factor that influences a company's valuation when choosing a capital structure engineering strategy and divident policy, which financial policy collectively is a dangerous business for every enterprise (Rehman, 2016).

A significant theoretical and empirical research has been dedicated to the topic of capital structure ever since the influential paper on capital structure by Miller and Modigliani was published in 1958. Nevertheless, the majority of research has been conducted in developed countries, leaving a significant gap in understanding the capital companies structure in developing countries. The company divident distribution pattern is another element which investor knows the noteworthy. Therefore, the most financial crucial choice which impact the financial performance is the dividend policy (Kanarkriyah, 2020). To be a significant consideration wehere the dividends in the self-financing process and investment choices of company. It impact the access company to investment opportunities such as the cash earned from operation activities (Desai, M.A et al., 2007).

Companies set their dividend policy, must create a framework that specifies the timing, amount, and frequency of shareholder payments. There exist three different dividend policies: stable, constant, and residual (Lestari, 2018). It is the board responsibility directors to determine a dividend payout policy. The directors must consider various factors, such the growth company prospects and future projects, when making this decision. Creating a dividend policy is paramount for any company looking to prioritize its shareholders. Good policies are adaptable to changes in the market while still maintaining clear guidelines for managing shareholder expectations. In most cases, the directors board or the organization is responsible for determining the information included in the dividend policy (Mardani 2022). When creating a dividend policy, there are no strict guidelines to follow. However, most policies generally outline the company's objectives, intentions, strategic vision, and a statement regarding the dividend declaration.

One crucial factor influencing a firm's value is its ability to generate profits for investors, aligning with the investors' goal of seeking returns. The profits stem from the company's sales and investments. Profitability, as defined by Chen (2004) reflects capacity company to generate profits, measures its operational efficiency also asset utilization. Companies with substantial profits tend to attract investor interest. Profitability indicators, such as net margin and gross profit margin, are essential tools for company financial health and efficiency evaluation in converting sales into profits (Solomon et al., 2016). These metrics evaluate the business profitability in slaes relation, expenses operation, sheet assets balance also equity shareholders.To calculate profitability indicators, it is necessary to consider causal relationships between resources and investments and to analyze the average of the period. Regularly measuring profitability indicators is vital for identifying areas where profit is lagging and for making informed decisions about the company's future Lela (2019).

The asset own by company determined in conjunction with all assets turnovers. The Total Assest Turnover (TATO) is metric used to assess the business assets to get income or sales. TATO is a term which used frequently in busienss operations refers to the turnover balance sheet ratio volume. It could be used to determine the assets capacity of company in producing the total net sales (Widodo, 2018).

This study focused on firms in the healthcare industry that were listed between 2018 and 2022 on the Indonesia Stock Exchange, because the healthcare is very crucial in the Indonesian economy. The companies shares engaged in the health sector (Healthcare) showed an increase in stock returns highest since the Covid-19 virus outbreak comparing with anothe business fields from the companies which contributed the highest in economical sector in Indonesia (Liandya Gita et al., 2022). In 2023, Indonesia has 275 million people and be the most papulous nation in the world. It demonstrates the significance of the expanding healthcare industry and for national economy.

The justification study include the fact which earlier study positioned in capital structure and dividend policy, Profitability and total asset turnover as independent variables that is related to company value and performance like (Hirdinis, 2019;

Purnamasari & Fauziah, 2022; Kanarkriyah, 2020; Rahmawati et al., 2021; Vo & Ellis, 2017; Widodo, 2018). It looks like the independent variables factor impact ti measure the firm valyes which is not yet analyzed, especially on healthcare sectore that listed IDX.

The existence o background and differences of variables in related research made researchers conducted research entitled "The Relationship of Capital Structure, Dividend Policy, Fixed Asset Turnover and Profitability on Firm Value (Companies That Listed on The Idx Healthcare (2018-2022)".

1.2 Research Problems

1. Does capital structure have a relationship with the value of firm listed on IDX Healthcare 2018-2022 period?
2. Does dividend policy have a relationship with the value of firm listed on IDX Healthcare 2018-2022 period?
3. Does total asset turnover have a relationship with the value of firm listed on IDX Healthcare 2018-2022 period?
4. Does profitability have a relationship with the value of firm listed on IDX Healthcare 2018-2022 period?

1.3 Research Objectives

1. To gather empirical data about the capital structure-firm valuation link for the IDX Healthcare 2018–2022 timeframe.
2. To gather empirical data on the correlation between the dividend payout

ratio and the business value listed on IDX Healthcare between 2018 and 2022.

3. To gather empirical data on the correlation between the firm's value listed on IDX Healthcare from 2018 to 2022 and its entire asset turnover.
4. To get actual data about how profitability and value are related of firm listed on IDX Healthcare 2018-2022 period.

1.4 Benefits of Research

1. For companies, it is hoped to contribute in designing policies, implementing business practices, managing costs, in order to strengthen the company's worth.
2. For investors, when making investments, it is something to take into account by assessing the value of the company.
3. For academics, it is anticipated that this study will offer insights, insights and empirical test results as well as become a reference to complete the development of further research regarding the value of firm.

1.5 Systematics of Writing

Writing systematics consists of five chapters. Chapter one is introduction. It contains a description of the background that underlies the importance of conducting research, problem statement, research objectives, benefits of research, also systematics writing. Chapter two describes a theoretical basis that describes the meaning, types and basic principles, previous research, hypothesis development and a framework of thought. Chapter three explains about research methodology, which consists of an explanation of the research's scope, sample determination methods, operational definitions and variable measurements, as well as the data analysis methods used.

Chapter four explains research results and discussion. It contains descriptions objects, data analysis, and interpretation. Chapter five is conclusion, which describes the conclusions, benefits of research, and suggestions.