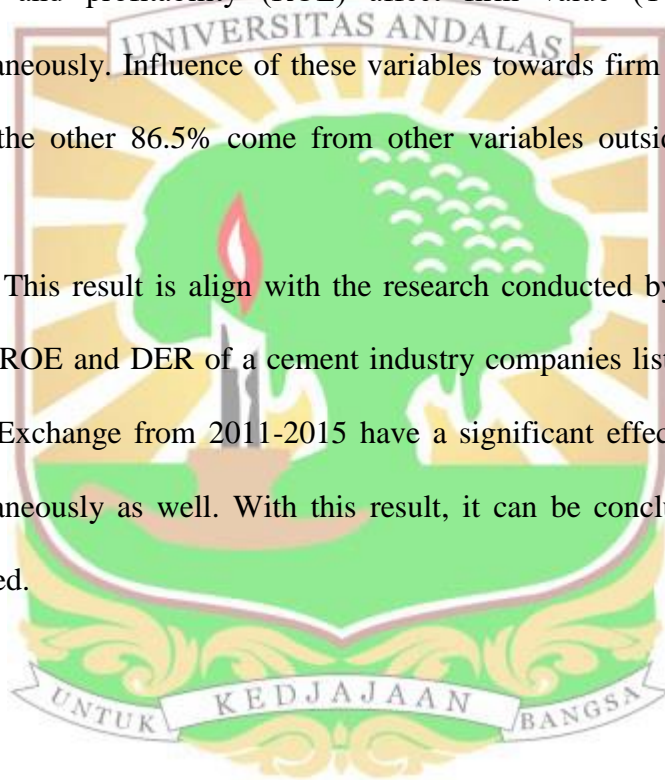


4.6.3 Capital Structure, Profitability, and Firm Value

F test has been conducted to see whether the model used have significant effect or not. Based on the test result, the significance from ANOVA table is 0.003 which is less than 0.05 (α). It indicates that the independent variables are affecting dependent variable simultaneously. With the model that has been created, it can be seen that capital structure (DER) and profitability (ROE) affect firm value (Tobin's q ratio) simultaneously. Influence of these variables towards firm value is 13.5%, while the other 86.5% come from other variables outside this research model.

This result is align with the research conducted by Kamar (2017) where ROE and DER of a cement industry companies listed in Indonesia Stock Exchange from 2011-2015 have a significant effect on firm value simultaneously as well. With this result, it can be concluded that H3 is accepted.



CHAPTER V

CONCLUSION AND SUGGESTIONS

5.1 Conclusion

Based on the result of this research on the effect of capital structure and profitability to firm value from infrastructure sector companies listed in Indonesia Stock Exchange from 2018-2020, it can be conclude that:

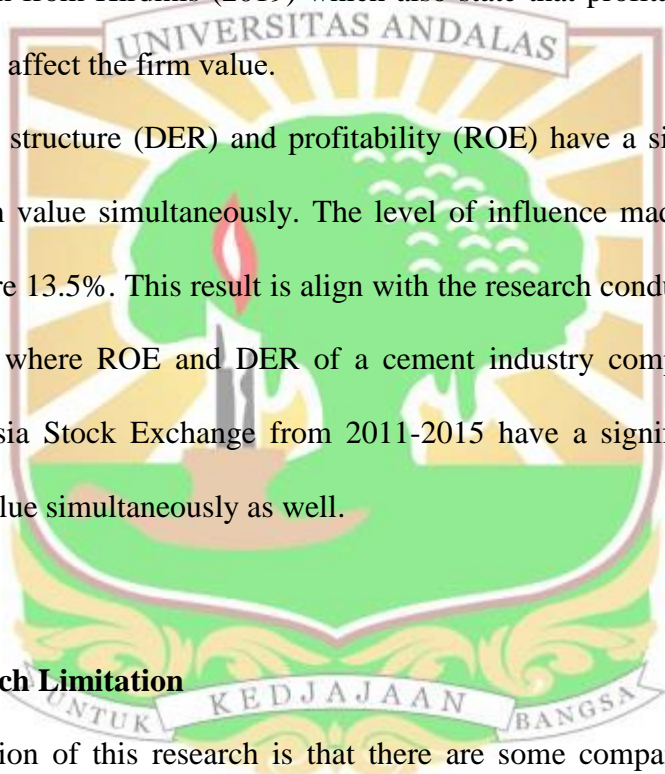
1. There is a negative significant effect of capital structure (DER) towards firm value (Tobin's Q ratio). DER affects the firm value negatively, which means in every additional debt, there will be a declining in firm value. It can be happened because the debt taken by the firm are too high. Based on descriptive statistical analysis, the mean for DER from infrastructure companies are 207.32%. With this number, the cost and benefit of adding a debt is not balanced so that the capital structure is not optimal to maximize the firm value, and based on pecking order theory, the usage of too much debt is a sign that the firm did not have sufficient internal finance to finance its business operation which affects the firm value negatively.
2. There is no significant effect of profitability (ROE) towards firm value. This result is contradict with the hypothesis that has been made which is profitability has a positive significant effect on firm value. This could probably happen since the mean of return on equity from descriptive statistical analysis is -9.86% which mean that some companies suffered

loss in period of 2018-2020 which lead to a bad signal or information to shareholders. The other factor is a high usage of debt that the firm used. With the excessive usage of debt, ROE may be boosted. However, it is also increase the risk of taking an additional debt for the firm. Investors should be aware of the level of debt the firms are taking, even though there is a positive change in ROE. This result is aligned with the previous research from Hirdinis (2019) which also state that profitability of a firm doesn't affect the firm value.

3. Capital structure (DER) and profitability (ROE) have a significant effect on firm value simultaneously. The level of influence made by DER and ROE are 13.5%. This result is align with the research conducted by Kamar (2017) where ROE and DER of a cement industry companies listed in Indonesia Stock Exchange from 2011-2015 have a significant effect on firm value simultaneously as well.

5.2 Research Limitation

Limitation of this research is that there are some companies that didn't issued financial report during period of 2018-2020 and there are outliers exist so it has to be eliminated. As a result, the number of sample is decreased.



5.3 Research Implications

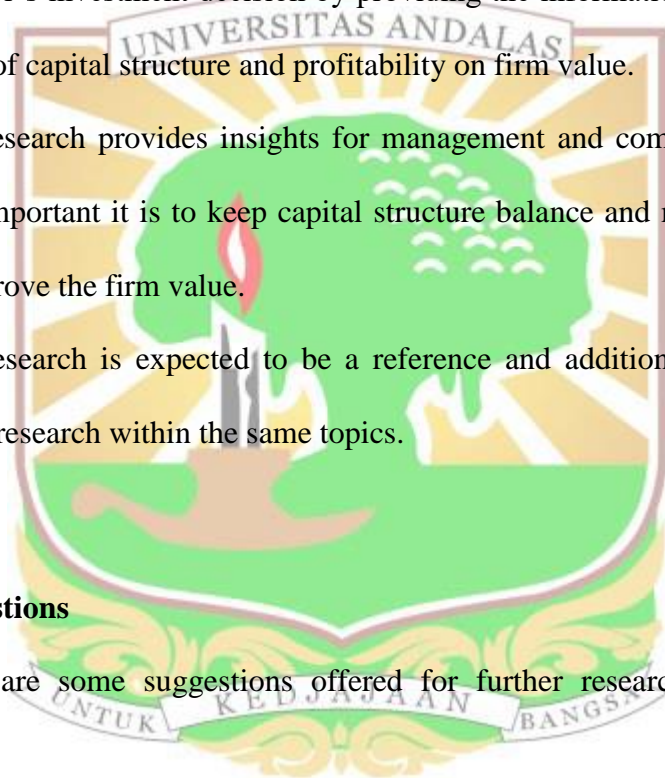
The implications of this research are:

1. This research provide the information the effect of capital structure and profitability to firm value, which will help academics and researcher to give an insight on factors that affect firm value.
2. This research provides additional knowledge and insight to improve Investor's investment decision by providing the information regarding the effect of capital structure and profitability on firm value.
3. This research provides insights for management and company to remind how important it is to keep capital structure balance and making a policy to improve the firm value.
4. This research is expected to be a reference and additional literature for future research within the same topics.

5.4 Suggestions

There are some suggestions offered for further research as described below:

1. This research object is the infrastructure sector companies listed in Indonesia Stock Exchange. Further research can use different objects to be tested and it's probable that the results are different.
2. Further research may use longer timeframe since this research is only includes 3 years of company performance.



3. Further research may add another variable that probably affect the firm value since this research is only influencing firm value by 13.5%.

