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Moderating the Effects of Company Value Determinants of Oil Palm Estate Companies

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ABSTRACT

The sharp cultivated area increase of oil palm estate companies for 6.61 million hectares results in the crude palm oil (CPO) production increase for 32.42 million tons during 2002 - 2016. This expansion establishment needs a huge amount of fund. Most of the oil pam estate companies decide to go public to meet the need. How the company management maintain the company value becomes very important. The objective of this study is to analyze and determine the moderating effects of dividend policy on the company value determinants. This research applies explanatory research and purposive sampling. There are only 5 from the 16 companies listed that meet the given criteria for the analysis. The research results confirm that the company management can mitigate the negative and highly significant effect of capital structure on the company value into positive and significant effect during the downward trend of CPO sales price by increasing the dividend payment toward the optimal stage consistently. The same approach can also leverage the weakly significant indirect impact of capital structure on the firm value through the company growth into significant indirect impact and the insignificant impact of company growth on the company value into significant impact. Investors do not respond the company growth which stimulates profitability and makes the influence of the profitability on the company value negative and highly significant. The company growth and profitability mediate the direct effect of capital structure on the company value weakly significantly and the both function as partial mediation.

Keywords: Capital Structure, Company Growth, Profitability, Company Value, and Dividend policy.
JEL Classification: G 32, D 25, D 21, G 32, and G 35.

1. Introduction

The cultivated area of oil palm plantation in 2002 was 5,067,058 hectares and the palm oil production was 9,622,345 tons. In 2016 the cultivated area had been 11,672,861 hectares with the total

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production 33,284,306 tons or 14.74% increase per year or 2,161,124 tons (Indonesia Statistics, Oil Palm Plantation Commodities, 2002 - 2016). The fast growth of the cultivated area of oil palm estates reflects that there has been strong need for funds to finance the oil palm estate establishments. In actualizing this aim, of course requires the most economical financing which enables the smooth establishment either internally or externally and considering that there will be only cash outflow for 3 years during investment period is unavoidable.

Since 2006, Indonesia has become the largest producer of palm oil producer in the world. In the period of 2002 – 2016, there had been a very sharp CPO production growth in Indonesia. In 2016 and 2017, Indonesia oil palm industry had become the largest earner of foreign exchange respectively USD 18.22 billion and USD 22.97 billion or increased about 26%. But, in the period of January - November 2018, the CPO export value and its derivatives was only amounting to USD 15.2 billion or less than the achievement in 2017 for the same period which was USD 16.9 billion. The less income from the CPO export and its derivatives was caused by the significant decrease of CPO sales price amounting to 15%.

The phenomenon in the field of oil palm industry stimulate each oil palm company to not only use the internal fund and decide to go public, obtaining funds from the public to sufficiently support the acceleration of the oil palm estate establishment by trading their shares in the stock market. This option becomes favorable as a result of the long investment period. The oil palm can produce crops in the fourth year and there is be no cash inflow during the investment period.

Investors need various information in doing stock valuation before taking decisions. Stock valuation strongly relates to the firm value. It has critical role which influences the investors' perceptions as it reflects the financial performance. Every strategic to invent company value should correspond with one of the five firm value dimensions: increasing market share with constant capital; investing capital in projects that yields higher rate of return; increasing profit through efficiencies in operation using constant capital structure; maintaining current profit by using less capital basing on the better uses of assets (replacement/s); and increasing profit by decreasing cost of capital (Mard, Michael J. , Dunne, Robert R., Osborne, Edi & Rigby Jr., 2005).

Debt policy has a critical role to create desired firm value, but it also depends on firm growth which relates to profitability. This implies that a company with good growth rate relatively has easier access to capital market. Company with good growth rate has an ability to pay debt interest, if debt is used in its operations. Therefore, it is relevant to relate capital structure to firm growth, profitability, firm value with dividend policy as moderator.

This research develops theoretical and empirical approaches in regards the company value determinants of oil palm estate companies with dividend policy as moderating variable and their implications. The novelty of this research model is the role of dividend policy as moderating variable. Meanwhile, the novelties of the research findings are the negative and highly significant effect of capital structure on the company value and the positive and insignificant effect of capital structure on the company value through the company growth can be mitigated into positive and significant effects by increasing the dividend payments toward the optimal stage.

There are 5 research gaps which support the implementation of this research. They present sufficient confidence that this research model is very feasible to be implemented. The research gaps can be overviewed in the matrix below:

Table 4.1
Research Gaps

Research Gap	Writer/Researcher	Concept/Finding
Gap 1. There is research gap between capital structure and company growth.	Ehrhardt & Brigham Theory (2011), study result; Hermelo & Vassolo (2014) and Arasteh *et al*. (2013).	Company growth (sales and asset) needs operating capital growth. This indicates company growth has positive correlation with capital structure.
	Baker & Martin (2011) and Gill *et al*. (2009).	There is no significant relation of growth opportunities and leverage.

Gap 2. There is research gap between capital structure and company value.	Cuong & Canh (2012), Sinha (2017) and Kausar *et al.* (2014).	High debt in capital structure results in the effect of capital structure on company value negative significant.
	Asif & Aziz (2016) and Antwi *et al*. (2012).	The use of long term debt in capital structure in financing company operation has positive effect on company value.
Gap 3. There is research gap between capital structure and profitability.	Ashraf et al. (2017), Bhutta & Hasan (2013) and Shubita & Alsawalhah (2012).	The effect of capital structure is negative significant on profitability.
	Asif & Aziz (2016) and Antwi *et al*. (2012).	The use of long term debt in the capital structure in financing company operation has positive effect on the profitability.
Gap 4. There is research gap between company growth and profitability.	Serrasqueiro (2009), Missy, Budiyanto & Riyadi (2016) dan Yoo & Kim (2015).	Company growth has positive significant effect on profitability.
	Sanjaya & Jayasiri (2015) and Swastika & Isharijadi (2017).	Company growth (sales growth) has no significant correlation with profitability (net profit and ROA) and company growth has negative significant effect on profitability.
Gap 5. There is reasearch gap between company growth and company value.	Olsen *et al.* (2006), Tingler (2015), Purwanto & Marsono (2017) and Dewi *et al.* (2014).	Company growth has positive effect on company value.
	O. H. & Kim (2016) and Ramezani, Soenen & Jung (2001).	Company growth has negative significant effect on company value.

2. Literature review

Mard, Michael J. , Dunne, Robert R., Osborne, Edi & Rigby Jr. (2005) stated that focusing the activities on the most critical business success factors can invent the maximum value of the company shareholders. Focusing the use of limited time and resources on the most critical business success factors is the way to have the maximum value of the company shareholders. Investing capital with higher rate of return than the cost of capital invents firm value. In such atmosphere the more capitals invested the more value to the company and the faster growth will give the more value to the company. Maximizing the wealth of shareholders is one of the basic theories dealing with the company objective. Shareholder's wealth increment can be achieved by increasing company value. It has a critical role which influences the investor perceptions (Salvator, 2011). The company value creation of going public company is part of the company culture and how it is managed in a day to day basis (Koller, Tim, Goedhard, Marc & Wessels, 2005).

The fund from the sales of shares is treated as equity and part of the capital structure. The capital structure is called as financial leverage and the determinant of company total risk and capital cost (Baker, H. Kent & Martin, 2011). Chen (2004) insisted that the decision on capital structure follows the new pecking order theory, the first choice is retained earnings, the second is equity, and the last is debt. Equity is most preferred instead of debt as it is not binding. The firm specific character influences its capital structure and identified as company size, growth opportunities, non-debt tax shield, profitability, and liquidity. Profitability, liquidity, and growth opportunities give negative effects on the firm capital structure (Ozkan, 2001). Profitability, firm size, growth rate, asset structure, and liquidity are the determinants of capital and ownership structure in developing market as found in developed market (Al-Najjar, Basil & Taylor, 2008). In the theory of optimal capital structure, capital structure has positive and significant effect on the firm value. The mix of debt and equity is the common pattern capital structure. There is no determination of the ideal mix of equity and debt as the optimal capital structure individually (Adeyemi, Semiu Babatunde & Oboh, 2011).

The company financing is much influenced by the capital structure for the sake of the expected growth which leads to the better company value. The company growth is the impact of fund flows from the changings in the operations, the business volume growth or declining (Helfert, 1994). Internal and external parties expect the firm growth much as it is an improvement signal. The firm growth is a sign of favorable prospect and a source of expected rate of return. The firm growth and firm size have negative relationship. A big firm growth rate is lower than a small firm and leads to doubt on the hypothesis of firm growth has no limit (Hermelo, Francisco Diaz & Vassolo, 2007). Companies with high profit growth use less financial leverage in financing. Investors select the higher profit growth company to invest due to lower financial leverage, the less risks and bankruptcy. The company with higher asset growth uses more financial leverage in financing (Arasteh, Fatemeh, Nourbakhsh, Mohsen Mohammad & Pourali, 2013). Zhou, Haibo & Wit (2011) confirmed that the most important determinants of firm growth are motivation, specific skill, need for achievement, firm age, financial performance, extra finances and readiness to grow.

In financing the firm growth, the choice of capital structure cannot be separated from the expectation of higher profitability which ultimately increases the firm value. The good firm prospect reflected in the profitability increase is a good indicator which can give a higher rate of return. Profitability is the picture of the company management performance. The capitals can be increased in the ways; 1) From retained earnings, 2) From debt, and 3) From new equity. Two important determinants in deciding the firm capital structure, they are the previous year profit and the current profit to be booked as retained earnings (Titman, Sheridan & Wessels, 1988). Profitability corresponds to the functions done and the risks received by the companies (Leahy, 2012). The high debt portion in the capital structure has negative effect on profitability. This is due to the high interest rate (Babalola, 2013). Kouser, Rehana, Bano, Tahira, Azeem, Muhammad & Hassan (2012) concluded that profitability has positive and significant effect on firm growth. The firm size does not influence profitability significantly, but the firm growth does. Profitability has positive impact on firm value and negative impact on leverage, whilst leverage has negative impact on firm value and profitability has significant mediation impact.

The time investors consider the influence of profitability on the firm value, investors may not ignore the negative influence of leverage on the firm value. The high portion of debt can negate the positive impact of profitability on the firm value. Chen, Li Ju & Chen (2011) found that the profitability of non-electronic firms have negative and highly significant impact on leverage, if it is compared to the electronic firms. This tells that pecking order theory much fits the previous group. When the profit of non-electronic firms increase, the firms tend to use the reserved income and not look for bank financing.

A higher rate of return or dividend has become an objective of every investor to invest in certain shares compared to investing in other shares. The objective in investing relates to profitability. (Amidu, Mohammed & Abor, 2006) concluded that dividend payment and profitability, cash flows, and tax have positive relationship. The higher the profit, the higher the dividend is paid. Favorable liquidity increases the company ability to pay dividend. There is negative relationship between dividend payment and risk, institutional share ownership, growth and market price to book value. (Amidu, 2007) confirmed positive relationship among return on asset (ROA), dividend policy and sales growth. This supports the proposition that dividend policy is relevant to company performance. The negative relationship among ROA, dividend payout ratio, and leverage is found. The firm market value has positive relationship with dividend payout ratio, leverage, and firm growth, but has negative relationship with dividend policy and firm size. The dividend payment measured by the return on asset (ROA) and return on equity (ROE) has positive and significant impact on profitability for all the samples, whilst in the corporates that pay dividend the relationship is positive and insignificant. The dividend payment in term of profit per share has negative and significant impact on profitability (Thafani, A R Fathima & Abdullah, 2014).

3. Methodology and hypothesis

This study aims to get empirical evidence of the moderating role of dividend policy on the impact of the company value determinants of oil palm estate companies listed in Indonesia Stock Exchange (IDX). This research uses 5 variables, consists of 1 exogenous variable; capital structure, 3 endogenous variables; company growth, profitability, and company value and 1 moderation variable; dividend policy. To be able to meet the data analysis for 9 years (2009 – 2017), sampling of this research uses Purposive Sampling. The data analysis techniques used in this research is Structural Equation Model (SEM) with the WarpPLS approach.

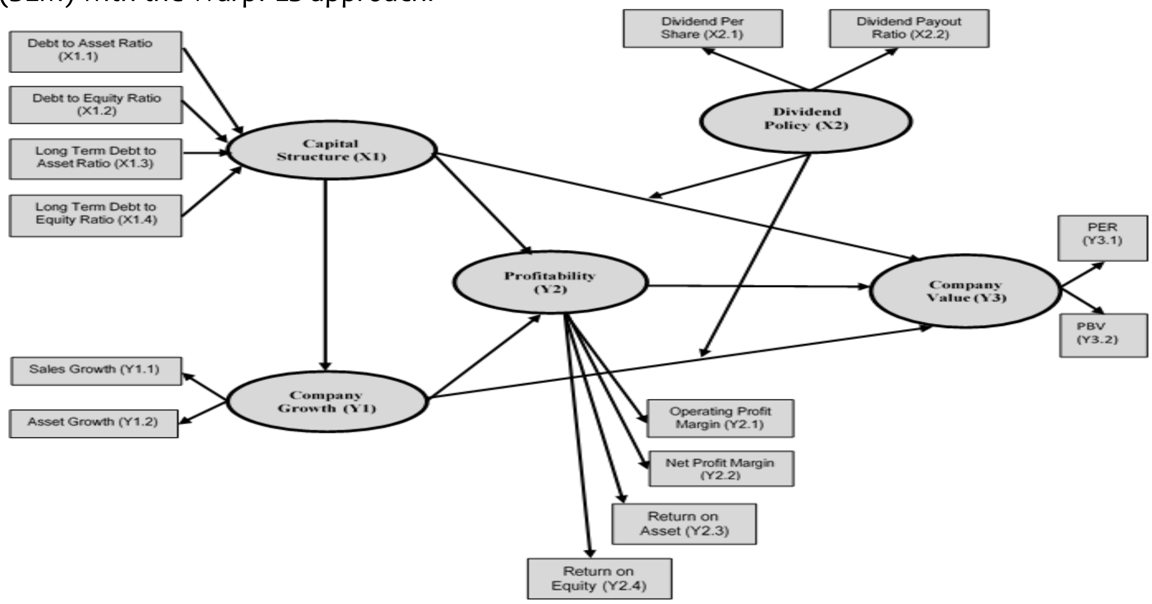

Figure 3.1 Research conceptual framework

3.1 The influence of capital structure on company growth

(Baker, H. Kent & Martin, 2011) stated that capital structure is always known as financial leverage. Capital structure directly determines the total company risk and capital cost. The company with high growth opportunities tends to have low leverage. This supports the trade-off theory, for the growth opportunities lead to the increase of the cost of financial distress that can offset the tax shield benefit of debt. (Mireku, Kwame, Mensah, Samuel & Ogoe, 2014) found that firms mostly depend on short term debt instead of long term debt.

(Gill, Amarjit, Biger, Nahum, Pai, Chenping & Bhutani, 2009) stated that there is no significant relationship between growth opportunities and leverage. This implies that the growth is not a determinant of capital structure for the service industry. A firm with higher sales growth can use financial leverage in the sake of debt for financing ratio to have the more free cash flow available. And, the asset growth also has positive relationship with financial leverage. The firm with the higher asset growth use the higher financial leverage (Arasteh, Fatemeh, Nourbakhsh, Mohsen Mohammad & Pourali, 2013). H1: Capital structure has a positive and significant effect on company growth.

3.2 The effect of capital structure on company value

There are two effect intervals between debt ratio and firm value. In the interval less than 59.27%, the coefficient is positive. This implies that the debt financing can increase the firm value. The negative coefficient with a declining trend occurs the time the debt ratio is in the interval of 59.27% and 94.60% or above 94.60% (Cuong, Nguyen Thanh & Canh, 2012). (Sinha, 2017) found the negative and significant effect of debt to equity ratio (DER), firm age (AGE) and firm size (SIZE) on the price to book value (PBV). To increase the firm value, a firm needs a perfect mix of equity – debt (Asif, Ammara & Aziz, 2016).

There found a negative and significant impact of capital structure on the company performance. The negative impact of capital structure implies that the change in the capital structure results in the declining of the firm performance (Kausar, Asifa, Nazir, Mian Sajid & Butt, 2014). This empirical research result is supported by the findings of (Rajan, Raghuram G. & Zingales, 1995), (Gleason, Kimberly C., Mathur, Lynette Knowles & Mathur, 2000), (Zeitun, R. & Tian, 2007), and (Abor, 2005). Long term debt has positive impact on company value just like equity capital (Antwi, Samuel, Mills, Ebenezer Fiifi Emire Atta & Zhao, 2012). H2: Capital structure has negative and significant effect on company value. H4: Capital structure has negative and significant indirect effect on company value through company growth. H5: Capital structure has positive and significant indirect effect on company value through profitability. H11: Dividend policy moderates the effect of capital structure on company value positively and significantly.

3.3 The effect of capital structure on profitability

(Shubita, Mohammad Fawzi & Alswalhah, 2012) concluded that there is negative and significant relationship between debt and profitability. This implies that the increase in debt portion relates to profitability. The higher the company debt, the lower the company profitability will be. This finding contradicts to the study result found by (Abor, 2005). (Ashraf, Muhammad, Ameen, Ahsan & Shahzadi, 2017) recommended that the cement companies need to use the certain mix of debt and equity as financing resources with the low capital cost, the more uses of short term debt and the less uses of long term debt. The Long Term Debt Ratio (LTDR) has negative and significant effect on profitability which is measured by the return on asset (ROA) and return on equity (ROE). The Short Term Debt Ratio (STDR) has positive and significant effect on ROA and ROE.

(Salawu, Rafiu Oyesola & Awolowo, 2009) found that capital structure has insignificant influence on profitability, in contrary profitability has positive relationship with short term debt. The equity proportion in the capital structure has positive correlation with profitability. Moreover, this research result implies that companies use the long term debt in the conservative way. H3: Capital structure has negative and significant effect on profitability.

3.4 The effect of company growth on profitability

The firms with high growths are younger and smaller, most of the growths are organic, whilst the bigger and older firms, their expansions rooted from acquisitions (Coad, 2010). Serrasqueiro (2009) used dynamic estimator panel to analyze the relationship between company growth and profitability and found that the company growth has positive and significant effect on the company profitability. Sales growth has positive relationship with market value or equity in the second year and asset growth has indirect relationship with market value due to the strong relationship with sales growth. The research intensity has negative impact on the sales growth which in turn can balance some of the asset growth impact (House, William C. & Benefield, 1995). H6: Company growth has positive and significant effect on profitability.

3.5 The effect of company growth on company value

Olsen, Eric, Plaschke, Frank & Stelter (2006) found that the company growth is the dominant source of total shareholder return (TSR) during the period of research and other factors are not so significant in short term. The different mode of company growth influences the company performance differently. The organic company growth has better effect on the company performance than un-organic growth. Further, in the model of three growth modes, the growth momentum indicates the most positive effect on the company performance from the three growth modes (Tingler, 2015). The change in firm value is strongly correlated with large shareholder ownership concentration and issuance form. The effect of growth on firm value is strongly correlated with the cash flow condition of the issuing firm. The results indicate that the ownership structure and the cash flow condition of the issuing firm and the form of issuance are important determinants of the relationship between the issuance of bonds with detachable warrants and firm value (O.H., Sekyung & Kim, 2016)

Purwanto, Dedy & Marsono (2017) found that firm growth has a positive and significant direct influence on firm performance and firm value. The firm performance has a positive and significant influence on firm value. The firm performance as intervening variable can mediate the influence of capital structure on firm value. H7: Company growth has positive and significant effect on firm value. H8: Company growth has positive and significant indirect effect on company value through profitability. H10: Dividend policy moderate the effect of company growth on company value positively and significantly.3

3.6 The effect of profitability on company value

Profit refers to total income received by the firm during a certain period, whilst profitability refers to the firm operation efficiency. Profitability is the firm capacity to earn sufficient return from the capital used in the firm operation (Innocent, Enekwe Chinedu Mary, Okwo Ifeoma & Matthew, 2013). Andawasatya R., Riizky, Indrawati, Nur Khusniyah & Aisjah (2017) found a significant indirect effect of profitability on company value through capital structure. This result is consistent with the theory of Brigham, Eugene F. & Houston (2016) stated profitability gives convenience to the company in regards fund source that are going to be used in the company operation. The declining of capital structure can reduce the company facing risks, more focus on maintaining the success of the company performance.

The success of the company performance will consistently drive the company to actualize the continuous increase of the company market price. The company with high profitability tends to be demanded by investors. Investors perceive high profitability as a signal that the company can give high return, this also increases the investors' trust which will make it easier to the company management to get access to capital market. This research result supports the previous research result found by Chowdhury, Anup & Chowdhury (2010) which stated there is a positive relationship between profitability and company value. This result is also supported by the research result which confirmed that profitability has positive and significant influence on company share price (Kusuma, Ginanjar Indra, Suhadak & Arifin, 2013). Sabrin, Sarita, Buyung (2016) found that profitability influences the company value, company value has positive sentiment on the profit achievement and give sufficient belief there will be dividend payment. The share price will increase, as the company has shown positive signal to pay dividend. H9: Profitability has positive and significant effect on company value.

4. Result and discussion

The analysis results of SEM with WarpPLS approach of direct and moderation effects can be described as follows:

Table 4.2

WarpPLS analysis results of direct effects

No.	Relationship among Variables	Coefficient	P-value	Remarks
1	Capital Structure (X1) → Company Growth (Y1).	0,128	0,040	Significant
2	Capital Structure (X1) → Profitability (Y2).	-0,584	<0,001	Highly Significant
3	Capital Structure (X1) → Company Value (Y3).	-0,366	<0,001	Highly Significant
4	Company Growth (Y1) → Profitability (Y2).	0,262	<0,001	Highly Significant
5	Company Growth (Y1) → Company Value (Y3).	0,079	0,142	Not Significant
6	Profitability (Y2) → Company Value (Y3).	-0,154	0.017	Significant

Table 4.3

WarpPLS analysis results of moderating effects

	Moderating Variable Analysis				
1	Dividend Policy (X2) x Capital Structure (X1) → Company Value (Y3).	0,136	0.031	Significant	Pure Moderation
2	Dividend Policy (X2) x Company Growth (Y1) → Company Value (Y3).	0,434	<0,001	Highly Significant	Absolute Moderation

The analysis results in the matrices can be overviewed in the form of diagram as follows:

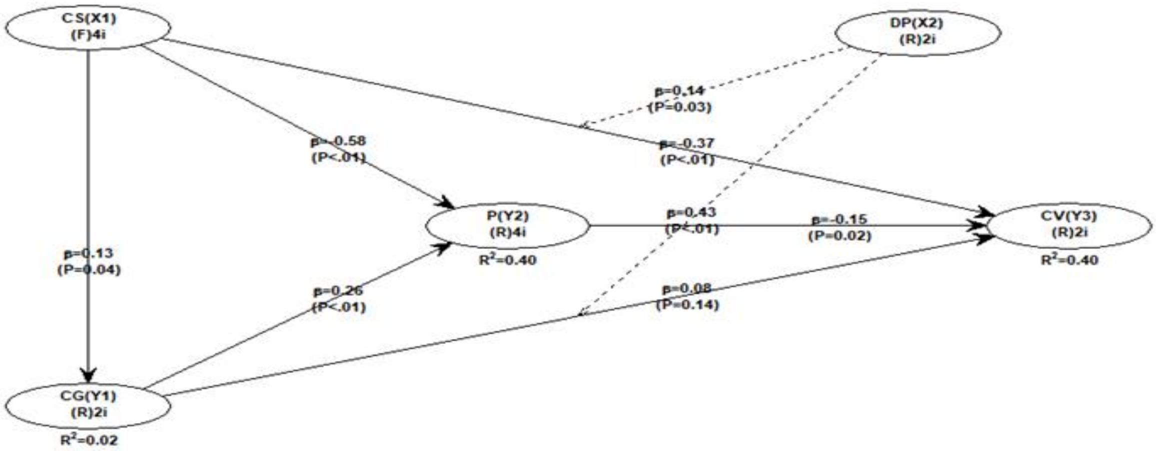

Figure 4.1 Structural model of analysis

Refer to the analysis results as found in Table 4.2, Table 4.3 and Figure 4.1, the hypothesis test results of direct effects can be obtained as follows:

a) The effect of capital structure (X1) on company growth (Y1) has path coefficient of 0.128 with *p-value* of 0.040. *P-value* is significant and the hypothesis accepted (H1). The positive path coefficient indicates that higher debt in the capital structure results in the higher company growth significantly or the relationship between the capital structure and company growth is unidirectional and significant. The availability of free cash flow sourced from debt in the capital structure is very conducive for the execution of the organic expansion. A company with the higher sales and asset growth can use debt for financing ratio in the sake of the more fund available to accelerate the company growth. This condition can be accepted due the long investment period to have mature biological asset (3 years) and this means that during investment period there is no sales and asset growths.

b) The effect of capital structure (X1) on company value (Y3) has negative path coefficient of -0.366 with *p-value* of <0,001. *P-value* is highly significant and the hypothesis accepted (H2). The negative path coefficient indicates that the higher debt in the capital structure results in the lower company value highly significantly or the relationship between capital structure and company value is in opposite direction and highly significant. The use of high debt in the capital structure to support the company operation increases the capital cost and financial risk, in turn also declines the company value. The thorough and accurate consideration on marginal benefits and costs of using long term debt to finance the company operation becomes more essential due to the long investment period, particularly due to the downward trend of CPO sales price during this research period. Further, the effect of capital structure (X1) interaction with dividend policy (X2) on company value (Y3) has positive path coefficient of 0.136 with *p-value* of 0.031. *P-value* is significant and hypothesis accepted (H11). The dividend policy functions as pure moderation, as it strengthens the effect of capital structure on the company value. The positive and significant path coefficient of the interaction of capital structure and dividend policy implies that an optimal dividend payment done consistently can mitigate the negative and highly significant impact of capital structure on the company value into positive and significant impact.

c) The effect of capital structure (X1) on profitability (Y2) has negative path coefficient of -0.584 with *p-value* of <0.001. *P-value* is highly significant and the hypothesis accepted (H3). The negative path coefficient indicates that the higher debt in the capital structure results in the lower profitability highly significantly or the relationship between the capital structure and the profitability is in opposite direction and highly significant. This condition implies that the use of high debt in the capital structure to support the company operation decreases the profitability. The negative and highly significant effect of capital structure on the company profitability is mainly caused by the long investment period and the instable global economy signed by the downward trend of CPO sales price during the research period.

d) The effect of company growth (Y1) on profitability (Y2) has positive path coefficient of 0.262 with *p-value* of <0.001. *P-value* is highly significant and the hypothesis accepted (H6). The positive path coefficient indicates that the higher company growth results in the higher profitability highly significantly or the relationship between the company growth and the profitability is unidirectional and highly significant. This condition implies that at the end of the third year of investment period there is an acknowledgment of biological asset addition and since the beginning of the fourth year there is the increase of CPO produced, as the biological asset starts producing crops which used as the material to produce CPO. The %-tage increase of the CPO production tends to be higher than the %-tage decrease of CPO sales price, therefore the company growth still gives positive effect on the profitability during the unstable global economy signed by the downward trend of CPO sales price during the research period.

e) The effect of company growth (Y1) on company value (Y3) has positive path coefficient of 0.079 with *p-value* of 0.110. *P-value* is insignificant and the hypothesis rejected (H7). The positive path coefficient indicates that the higher company growth results in the higher company value but insignificantly or the relationship between the company growth and the company value is unidirectional but not significant. This condition implies that during the investment period of biological asset, though there has been significant addition of assets in construction not directly increase the company value as the biological assets are not productive yet. The increase of the company value will take place in the beginning of the fourth year in which the biological asset begins to produce crops. The instable global economy marked by the downward trend of CPO sales price becomes one of the root causes that makes the weak effect of the company growth on the company value. It also shows that investors do not respond the company growth or the investor valuation is not influenced. Moreover, the analysis result denotes that the effect of company growth (Y1) interaction with dividend policy (X2) on company value (Y3) has positive path coefficient of 0.434 with *p-value* of <0.001. *P-value* is highly significant and hypothesis accepted (H10). The dividend policy functions as absolute moderation for it strengthens the effect of company growth on the company value. The positive and highly significant path coefficient of the interaction of company growth and dividend policy implies that an optimal dividend payment done consistently can mitigate the positive and insignificant effect of company growth on the company value to become positive and significant effect.

f) The effect of profitability (Y2) on company value (Y3) has negative path coefficient of -0.154 with *p-value* of 0.017. *P-value* is significant and the hypothesis rejected (H9). The negative path coefficient indicates that the higher profitability results in the lower company value significantly or the relationship between the profitability and the company value is in opposite direction and significant. This condition implies that the increase of profitability stipulated by the company growth is not responded by the investors due to the instable global economy during the period of the research. The profitability is not as much as expected by the investors or less and become a signal to the investors that the oil palm plantation companies still have profitability but yield the less rate of return along with the decrease of the profitability.

Table 4.4

WarpPLS analysis results of indirect effects

No.	Indirect Relationship among Variables	Coefficient	*p-value*	Remark
1	Capital Structure (X1) → Company Growth (Y1) → Profitability (Y2).	0,034	0,261	Not Significant & Not Mediation
2	Capital Structure (X1) → Company Growth (Y1) → Company Value (Y3).	0,100	0,087	Weakly Significant & Partial Mediation
3	Capital Structure (X1) → Profitability (Y2) → Company Value (Y3).	0,100	0,087	Weakly Significant & Partial Mediation
4	Capital Structure (X1) → Company Growth (Y1) → Profitability (Y2) → Company Value (Y3).	-0,005	0,452	Not Significant & Not Mediation
5	Company Growth (Y1) → Profitability (Y2) → Company Value (Y3).	-0,040	0,221	Not Significant & Not Mediation

Refer to the analysis results as found in Table 4.4 and Figure 4.1, the hypothesis test results of indirect effects can be obtained as follows:

a) The indirect effect of capital structure (X1) on profitability (Y2) through company growth (Y1) has positive path coefficient of 0.034 with p-value of 0.261 and p-value is insignificant. The positive path coefficient indicates that the higher debt in the capital structure results in the higher profitability insignificantly through the company growth or the indirect relationship between capital structure and profitability through the company growth is unidirectional but insignificant. The company growth does not function as mediation variable.

b) The indirect effect of capital structure (X1) on company value (Y3) through company growth (Y1) has positive path coefficient of 0.100 and p-value of 0.087 and p-value is weakly significant and hypothesis rejected (H4). The positive path coefficient indicates that the higher debt in the capital structure results in the higher company value weakly significantly through the company growth or the indirect relationship between capital structure and company value through the company growth is unidirectional and weakly significant. The company growth functions as partial mediation. The availability of free cash flow sourced from the long term debt in the capital structure can stipulate the company growth in term of the sales and asset growths, but the long investment period (3 years) and the unstable global economy marked by the downward trend of CPO sales price causes the investors respond slightly.

c) The indirect effect of capital structure (X1) on company value (Y3) through profitability (Y2) has positive path coefficient of 0.100 with p-value of 0.087 and p-value is weakly significant and hypothesis accepted (H5). The positive path coefficient indicates that the higher debt in the capital structure results in the higher company value weakly significantly through the profitability or the indirect relationship between capital structure and company value through the profitability is unidirectional and weakly significant. The profitability functions as partial mediation. The availability of free cash flow sourced from the long term debt in the capital structure can stipulate the company value through the profitability weakly significantly.

d) The indirect effect of capital structure (X1) on company value (Y3) through company growth (Y1) and profitability (Y2) has negative path coefficient of -0.005 with p-value of 0.452 and p-value is insignificant. The negative path coefficient indicates that the higher the debt in the capital structure results in the lower company value insignificantly through the company growth and profitability or the indirect relationship between capital structure and company value through the company growth and profitability is in opposite direction and insignificant. The company growth and profitability do not function as mediation variables.

e) The indirect effect of company growth (Y1) on company value (Y3) through profitability (Y2) and has negative path coefficient of -0.040 with p-value of 0.221 and p-value is insignificant and the hypothesis rejected (H8). The negative path coefficient indicates that the higher company growth results in the lower company value insignificantly through the profitability or the indirect relationship between company growth and company value through the profitability is in opposite direction and insignificant. The profitability does not function as mediation variable. This condition implies that although the company growth directly stipulates the profitability increase highly significantly, and the profitability influences the company value in opposite direction and significantly, the indirect effect of company growth on company value through the profitability is negative and insignificant statistically. This, of course, cannot be separated from the instable global economy marked by the downward trend of CPO sales price or investors do not respond the company growth which has stipulated the profitability increase.

Table 4.5
WarpPLS analysis results of total effects

No.	Total Effect	Coefficient	*P-value*	Remark
1	Capital Structure (X1) → Company Growth (Y1).	0,128	0,040	Significant
2	Capital Structure (X1) → Profitability (Y2) + Capital Structure (X1) → company Growth (Y1) → Profitability (Y2).	-0,550	<0,001	Highly Significant
3	Capital Structure (X1) → Company Value (Y3) + Capital Structure (X1) → Company Growth (Y1) → Company Value (Y3) + Capital Structure (X1) → Company Growth → Profitability (Y2) → Company Value (Y3) + Capital Structure (X1) → Profitability (Y2) → Company Value (Y3).	-0.271	<0,001	Highly Significant

4	Company Growth (Y1) → Profitability (Y2).	0,262	<0,001	Highly Significant
5	Company Growth (Y1) → Company Value (Y3) + Company Growth (Y1) → Profitability (Y2) → Company Value (Y3).	0.038	0,302	Not Significant
6	Profitability (Y2) → Company Value (Y3).	-0,154	0,017	Significant
7	Dividend Policy (X2) x Company Growth (Y1) → Company Value (Y3).	0.136	0,031	Significant
8	Dividend Policy (X2) x Capital Structure (X1) → Company Value (Y3).	0,434	<0,001	Highly Significant

Refer to the analysis results as found in Table 4.5 and Picture 4.1, the hypothesis test results of total effects can be obtained as follows:

a) The total effect of capital structure (X1) on company growth (Y1) has positive path coefficient of 0.128 with p-value of 0.040 and p-value is significant. For there is only direct effect, the path coefficient and p-value of the total effect is just the same as the direct effect.

b) The total effect of capital structure (X1) on profitability (Y2) is the analysis results of direct and indirect effects [through company growth (Y1)] of capital structure (X1) on profitability (Y2) has negative path coefficient of -0.550 with p-value of <0.001 and p-value is highly significant. The negative path coefficient indicates that the higher debt in the capital structure totally (direct and indirect effects) results in the lower profitability highly significantly or the total relationship between capital structure and profitability is in opposite direction but highly significant.

c) The total effect of capital structure (X1) on company value (Y3) is the analysis results of direct and indirect effects [through company growth (Y1), through company growth (X1) and profitability (Y2) and also through profitability (Y2)] of capital structure (X1) on company value (Y3) has negative path coefficient of -0.271 with p-value of <0.001 and p-value is highly significant. The negative path coefficient of total effect indicates that the higher debt portion in the capital structure totally (direct and indirect) results in the lower company value highly significantly or the total relationship between capital structure and company value is in opposite direction but highly significant.

d) The total effect of company growth (Y1) on profitability (Y2) has positive path coefficient of 0.262 with p-value of <0,001 and p-value is highly significant. For there is only direct effect, the path coefficient and p-value of total effect is just the same as the direct effect.

e) The total effect of company growth (Y1) on company value (Y3) is the analysis results of direct and indirect effects [through profitability (Y2)] of company growth (Y1) on company value (Y3) has positive path coefficient of 0.038 with p-value of 0.302 and p-value is insignificant. The positive path coefficient of total effect indicates that the higher company growth totally results in the higher company value insignificantly or the total relationship between company growth and company value is in unidirectional but insignificant.

f) The total effect of profitability (Y2) on company value (Y3) has negative path coefficient of -0.154 with p-value of 0.017 and p-value is significant. For there is only direct effect, the path coefficient and p-value of total effect is just the same as the direct effect.

g) The total moderation of dividend policy (X2) on the direct effect of company growth (Y1) on the company value (Y3). The analysis result denotes that the effect of company growth (Y1) interaction with dividend policy (X2) on the company value has positive path coefficient of 0.136 with p-value of 0.031 and p-value is significant for p-value. For there is only direct moderation effect, the path coefficient and p-value of total moderation is just the same as the direct moderation.

h) The total moderation of dividend policy (X2) on the direct effect of capital structure (X1) on company value (Y3). The analysis result denotes that the effect of capital structure (X1) interaction with dividend policy (X2) on the company value (Y3) has positive path coefficient of 0.434 with p-value of <0.001 and p-value is highly significant. For there is only direct moderation effect, the path coefficient and p-value of total moderation is just the same as the direct moderation.

5. Conclusion

a) The negative and highly significant impact of capital structure on the company value occurs during the unstable global economy marked by the downward trend of CPO sales price in the long term or during this research period.

b) The negative and highly significant effect of capital structure on the company value can be mitigated to become positive and significant by increasing the dividend payment onward the optimal stage. This effort is increasingly apparent if it is followed by a thorough and accurate consideration of the marginal benefits and costs of using long term debt to finance the company operation particularly during the unstable global economy marked by the downward trend of CPO sales price. This can take place for the dividend policy moderates or strengthens the effect of capital structure on the company value.

c) The positive and insignificant indirect impact of capital structure on company value through company growth can also be mitigated to become positive and significant by increasing the dividend payment onward the optimal stage. This effort is increasingly apparent if it is followed by a thorough and accurate consideration on the marginal benefits and costs of using long term debt to finance the company operation particularly during the unstable global economy marked by the downward trend of CPO sales price. This can take place for the dividend policy moderates or strengthens the impact of company growth on the company value.

d) The company growth and profitability function as partial mediation variables as each can strengthen the impact of capital structure on the company value.

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