



**THE INFLUENCE OF DIVIDEND POLICY AND INVESTMENT DECISIONS ON
CAPITAL STRUCTURE AND PROFITABILITY IN MANUFACTURING
COMPANIES LISTED IN INDONESIA STOCK EXCHANGE IN 2014-2018**

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ABSTRACT

This study aims to determine the effect of dividend policy and investment decisions on capital structure and profitability. This research was conducted in the manufacturing company sector listed on the Indonesia Stock Exchange (IDX) in 2014-2018. The manufacturing sector was chosen because BEI in its activities further strengthened this sector with the aim of increasing competitiveness and developing the manufacturing industry. This type of research is an explanatory research with a quantitative approach. The population of this study is the manufacturing sector which was listed on the Indonesia Stock Exchange in 2014-2018.

The total population in this study was 163 companies. This research sampled using a purposive sampling technique and retrieved 44 companies sample. The data analysis method used in this study uses Structural Equation Modeling (SEM) using the AMOS program. The results of this study indicate that: 1. Dividend policy has a negative and significant effect on capital structure, 2. Investment decisions have a negative and not significant effect on capital structure, 3. Dividend policy has a positive and not significant effect on profitability, 4. Investment decisions have a positive and significant towards profitability, 5. Dividend Policy has positive and significant effect on profitability through capital structure, 6. Investment decision has positive and insignificant effect on profitability through capital structure, 7. capital structure has negative and significant effect on profitability.

Keywords: Dividend Policy, Investment Decisions, Capital Structure, Profitability

INTRODUCTION

Basically, establishing a company must have goals to be achieved. One of the objectives of the company's operations in general is to get the maximum profit or profit. Profits obtained by the company will affect the survival of the company. L.M. Samryn (2012: 429), "Profit is a source of internal funds that can be obtained from the normal activities of a company that does not require extra costs for storage and storage." Jorenza (2015) explains that profitability is the company's ability to earn profits in relation to sales, total assets, and own capital. With high profits can provide signal to investors to invest their capital, besides that with high profits can provide prosperity for shareholders.

Company profitability can be measured from several aspects, namely based on returns on sales, earnings per share, returns on assets, returns on equity (net worth). In this study, profitability is proxied by ROE (Return of equity), which is net income to ordinary equity that measures the rate of return on ordinary shareholders' investments. Profitability is the level of a company's ability to measure management effectiveness calculated by profits generated from sales and investment of the company. The profit and loss calculation helps the users of the financial statements predict future cash flows. Return on equity (ROE) is a ratio

that shows a company's ability to generate net income for shareholders' equity returns. Investors will buy shares because they are interested in return on equity (ROE). With the ROE shows the benefits that will be enjoyed by shareholders. ROE growth shows the company's prospects are getting better because it means there is a potential for increased profits earned by the company. This is captured by investors as a positive signal from the company so that it will increase investor confidence and will facilitate company management to attract capital in the form of shares. If there is an increase in demand for a company's shares, it will indirectly increase the price of these shares on the capital market.

Dividend Policy is a policy to determine how much profit should be paid (dividends) to shareholders and how much should be replanted (retained earnings). According to Paul D. Kimmel, Jerry J. Weygandt, and Donald E. Kieso (2011), dividends are distributions made by companies to shareholders proportionally according to share ownership. In other words, investors only receive profits according to the percentage of their investment in the company. In this study dividend policy is projected or measured by the Dividend Payout Ratio (DPR). Dividend payout ratio (DPR) is the percentage of income that will be paid to shareholders as cash dividend. Besides stated in rupiah per share, dividend policy also concerns how much profit the company will distribute in the form of dividends.

Investment decision is a company policy in investing funds owned by the company in the form of certain assets. Tandelilin (2010: 3) states that investment is a commitment to a number of funds or other resources made at this time, with the aim of obtaining a number of benefits in the future. The investment decision in this study was proxied by Price Earnings Ratio (PER) which is an indication of capital market valuation of the company's ability to generate potential profits / profits for the company in the future. This ratio shows how much investors are willing to pay for each reported profit (Brigham and Houston, 2011). The greater the price earnings ratio of a stock, the stock price will be more expensive to net income per share.

Capital structure is the proportion of funding with debt (debt financing) of the company, namely the leverage ratio (leverage) of the company. Capital structure according to Hoang (2015) is defined as the debt ratio and the ratio of equity to total capital of the company. Thus, debt is an element of the company's capital structure. Capital structure is the key to improving company productivity and performance. The capital structure in this study is projected with a ratio of the ratio of total debt to equity through Debt to Equity Ratio (DER) (Husnan, 2011). The use of DER is intended to facilitate measurement because the capital structure cannot be measured directly (Sartono and Sriharto, 1999). The greater the DER, the greater the risk faced by the company, because the use of debt as a source of funding is far greater than its own capital.

The purpose of this research is to find out the effect of dividend policy and investment decisions on profitability with capital structure as an intervening effect that has a direct and indirect effect between the independent and dependent variables that are expected to have significant results.

METHOD OF RESEARCH

Research design

This research is a type of causality research, where there is a relationship between two or more variables. Causality relationships contained in this study include independent variables (independent variables) that affect the dependent variable (bound). This study was designed to determine the significant influence between the independent variables, which in this study are dividend policy and investment decisions on the dependent variable, profitability, which is capital structure as an endogenous intervening variable.

Population, Samples and Sampling Techniques

The population in this study is all manufacturing companies listed on the Indonesia Stock Exchange in accordance with the publication by the Capital Market Directory (ICMD). The selection of manufacturing company samples, because manufacturing companies are the largest companies on the Indonesia Stock Exchange, so that determining the sample can facilitate researchers. The total population of manufacturing companies is 163 companies. The sampling technique in this study uses a purposive sampling type of judgment sampling in which the sample is selected using certain considerations adjusted to the research objectives or research problems developed (Ferdinand, 2006 in Kusumajaya, Dewa Kadek Oka, 2011).

Method of collecting data

Data collection is done through documentation, which is collecting, recording, analyzing and calculating the indicator variables needed, by looking at secondary data in the form of financial statements of manufacturing companies published by the IDX through the Indonesian Market Directory (ICMD) in 2014 - 2018.

Data analysis technique

Descriptive statistics are used to help describe the actual state (facts) of a study. This analysis deals with methods of collecting and presenting data so as to provide useful information. Descriptive statistics only provide information about the data held and in no way draw any conclusions. With descriptive statistics, the collected data will be presented concisely, neatly, and can provide core information from the existing data set. Statistical testing is done to provide an overview or description of the variables in the study. Descriptive statistics used in this study consisted of determining the average value (mean), maximum value, minimum value, and standard deviation of each exogenous variable, endogenous variable and intervening variable. Path analysis can be used to analyze the causal relationship between one variable with another variable. This procedure can estimate the coefficients of a number of linear structural equations that are hypothesized. The method used is path analysis with the AMOS 24 Program.

RESEARCH RESULT

Description of Statistics

Table 5.3 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviasi
DPR	220	0.00	615.65	21.9638	91.35579
PER	220	0.01	987.48	53.3276	108.82092
DER	220	0.07	5.15	0.7943	0.76841
ROE	220	0.00	2.24	0.1987	0.27829
Valid N (listwise)	220				

Source: Secondary data processed, 2020

From the data above shows the company's dividend distribution variable measured by Dividend Payout Ratio (DPR) is the percentage of profits paid in the form of dividends with the total profit available to shareholders. Table 5.3 can be seen that the average distribution of company dividends to manufacturing companies on the Indonesia Stock Exchange in 2014 - 2018 is 21.96% and the standard deviation is 91.35%, where the standard deviation is greater than the average. This shows fluctuations in the distribution of large corporate dividends to manufacturing companies that are sampled. In Table 5.3 it can also be seen that the lowest firm value is 0.00% and the highest value is 615.65%. This shows that most manufacturing companies experience fluctuations in company dividends as measured by the Dividend Payout Ratio (DPR). This means that the Dividend Payout Ratio (DPR) in 2014 is worth 0.00%. An increase of 615.65% in 2018.

Investment Decision Variable proxied by price earning ratio (PER) has a value, a minimum of 0.01%, a maximum of 987.48%, and a standard deviation of 108.82%, meaning that there is a variant contained in the stock price and a mean value of 53.32% means the average share price in this manufacturing company amounted to .53.32% times shares per share owned.

Capital structure which is proxied by the Debt Equity Ratio (DER) indicator has a minimum value of 0.07% and a maximum of 5.15%, an average value of 0.79% with a standard deviation value of 0.76%, this shows that the average sample company has a debt of 0.79 times from the company's own capital (equity). Debt Equity Ratio (DER) values above 1 indicate that companies tend to use debt as a source of corporate funding.

Profitability measured by return on equity (ROE) is the result of the division between net income and equity capital. The smallest (minimum) Return On Equity (ROE) value of 0.00 means that the lowest profit after tax is 0.00% of the total assets of the manufacturing company in 2014 - 2018. The largest value (maximum) is 2.24, meaning that the largest profit after tax manufacturing in 2014 - 2018 was 2.24% of total assets. The average value (mean) of return on equity (ROE) of 0.19 means that during the study period the average manufacturing company had a profit of 0.19% of total assets. This shows that the lower the return on equity (ROE), the smaller the level of profits achieved in manufacturing companies so that it allows a company in a problematic condition. This can be seen from the standard deviation

of 0.27% which is greater than the average value.

Description of Research Results

Normality test

Done by observing the critical value of the assessment of normality test results from the AMOS 24 program. The purpose of the normality test is to find out whether the distribution of a data follows and approaches the normal distribution. Data normality test needs to be done both univariate and multivariate. Normality evaluation is done by using the criterion ratio of the skewness value of ± 2.58 at a significance level of 0.01, where the data can be concluded to have a normal distribution if the critical ratio of the skewness value is brought to an absolute price of 2.58 (Ghozali, 2014).

Table 5.4 Early Stage Normality Test

Variable	skew	c.r.	kurtosis	c.r.	Kategori
Dividend Policy	4.874	29.513	24.084	72.918	Abnormal
Investation decision	4.628	28.025	28.249	85.529	Abnormal
Capital Structure	2.583	15.641	8.751	26.494	Abnormal
Profitability	4.152	25.139	19.616	59.389	Abnormal
Multivariate			76.583	81.977	Abnormal

Source: Processed in 2020

From table 5.4 above it can be seen that the critical ratio skewness value of variable variables does not show normally distributed data because the value is greater than 2.58 both univariate and multivariate. Therefore, the data needs to be transformed so that it can be normally distributed. The type of data transformation used is inverse with method 1 divided by variables. But after being tested, the value of critical ratio skewness value univariably not all variables meet the criteria. Therefore, outliers were tested based on the significance level criterion $p < 0.05$. If the significance level p_1 or p_2 is less than 0.05, it is generally categorized as outliers.

Table 5.5 Final Test Normality Test

Variable	skew	c.r.	kurtosis	c.r.	Kategori
Dividend Policy	0.91	5.463	-0.252	-0.757	Normal
Investation decision	0.455	2.729	-0.51	-1.531	Normal
Capital Structure	1.029	6.171	0.277	0.832	Normal
Profitability	0.84	5.041	-0.655	-1.964	Normal
Multivariate			-1.823	-1.933	Normal

Source: Processed in 2020

From table 5.5 above it can be seen that the value of the critical ratio skewness value is univariably all variables show a normal distribution because the values are between -2.58 to 2.58. Multivariate shows that the data is normally distributed. This can be seen from the critical ratio value of -1.933, which is in the range of -2.58 to 2.58. if overall or multivariate data distribution is normal, then it is also univariate normal so that the assumption of data normality is fulfilled.

Test Outliers

Detection of multivariate outliers is done by taking into account the value of Mahalanobi's Distance. The criteria used was a significance level of $p < 0.05$. If the significance level of p_1 or p_2 is less than 0.05, it is generally categorized as outliers (Ghozali, 2014). In the initial stage 4 observations were categorized as outliers

(appendix 7). So the data declared outliers are issued.

Table 5.6 Sample Outliers

No	Nama Perusahaan	Tahun	Mahalanobis d-squared	p1	p2
1	Tempo Scan Pacific	2014	14.274	0.006	0.760
2	Chandra Asri Petrochemical	2016	11.973	0.018	0.900
3	Industri Jamu dan Farmasi Sido	2017	11.528	0.021	0.848
4	Tempo Scan Pacific	2017	10.541	0.032	0.926

Source: Processed in 2020

Based on table 5.6 shows that data outliers consist of four companies which consist of the same 2 companies and 2 different companies. So that observations for 5 years on the company issued. This means that from the initial sample of 44 companies to 43 companies. So the number of observations in this study were 216 samples. Even with this reduction it still meets the requirements for use on Amos 24 with criteria of 100 to 500 samples (Ghozali, 2014).

Uji Multikolinierity atau Singularity

Multicollinearity means that one exogenous variable with another exogenous variable in a regression model occurs in a near perfect relationship. To see whether there is multicollinearity or singularity in a combination of variables, using AMOS 24 can be detected or observe the determinant of the covariance matrix. The test results in this study indicate the determinant value of the covariance matrix of 19,776, these results identify that the value is far from zero. With this result, the assumption of multicollinearity or singularity is fulfilled because there is no multicollinearity or singularity in the research data.

Structural Equation

Based on the results of Amos 24 output, it can be proven through the squared multiple coefficient as shown in the following table:

**Table 5.7
 Squared Multiple Correlations**

	Estimate
Capital Structure	0.025
Profitability	0.047

Source: Processed in 2020

Based on the table above shows the value of square multiple correlations for the Capital Structure variable of 0.025. This means that the influence of Dividend Policy (X1) and Investment Decision (X2) variables simultaneously on the Capital Structure (Y1) is 0.025 or 2.5%, while the remaining 97.5% is influenced by factors other than the model. Based on table 5.7 shows the square multiple correlations for the profitability variable of 0.047. This means that the effect of dividend policy variables (X1), investment decisions (X2) and Capital Structure (Y1) simultaneously on profitability (Y2) is 0.047 or 4.7%, while the remaining 95.3% is influenced by factors other than in the model.

Based on the results of the Amos 24 output with standardized estimates, the path coefficients can be summarized as shown in the table as follows:

Table 5.8 Summary of Path coefficients

No	Jalur	Estimasi	S.E	P-Value	Keterangan	Signifikan (< 5%)
1	X1 → Y1	-0.144	0.062	0.020	negative	Significant
2	X2 → Y1	-0.008	0.067	0.901	negative	Not significant
3	X1 → Y2	0.075	0.075	0.321	positive	Not significant
4	X2 → Y2	0.168	0.080	0.036	positive	Significant
5	Y1 → Y2	-0.169	0.082	0.039	negative	Significant

Source: Processed in 2020

From table 5.8 above we can get the first regression equation, namely the influence of Dividend Policy (X1), Investment Decision (X2) on the Capital Structure (Y1) as follows:

$$Y1 = -0,144X1 - 0,008X2$$

The coefficient value of the Dividend Policy is -0.144, meaning that if the Dividend Policy has increased by 1 unit then the Capital Structure will decrease by -0.144 assuming the other variables are constant. The coefficient value of the Investment Decision is -0.008, meaning that if the Investment Decision increases by 1 unit, the Capital Structure will decrease by -0.008 assuming the other variables are considered constant. From the results of table 5.8 above we can get the second regression equation, namely the influence of Dividend Policy (X1), Investment Decisions (X2) and Capital Structure (Y1) on Profitability (Y2) as follows:

$$Y2 = 0,075X1 + 0,168X2 - 0,169Y1$$

The coefficient value of Dividend Policy (X1) is 0.075, meaning that if the Dividend Policy has increased by 1 unit, the Profitability will increase by 0.075 assuming the other variables are constant. The value of the Investment Decision coefficient is 0.168, meaning that if the Investment Decision increases by 1 unit the Profitability will increase by 0.168 assuming the other variables are considered constant. Then the capital structure coefficient value of -0.169, means that if the capital structure increases by 1 unit, the profitability will decrease by -0.169 assuming the other variables are constant.

Path coefficient

The results of the calculation of the path coefficient used are standardized regression coefficients (standardized coefficients beta) for their direct influence. The indirect effect is the multiplication between the path coefficients of the path each equation passes and the total effect is the sum of the direct effects and indirect effects. For clearer direct effects, indirect effects and total effects are presented in the following table:

Table 5.9 Coefficients of Direct, Indirect and Total Influences between variables

Hypothesis	Research	Direct Influence	Indirect Influence	Total Influence	P-Value	information	Significant (<5%)
Hypothesis 1	X1 → Y1	-0.144		-0.144	0.020	negative	Significant
Hypothesis 2	X2 → Y1	-0.008		-0.008	0.901	negative	Not significant
Hypothesis 3	X1 → Y2	0.075		0.075	0.321	positive	Not significant
Hypothesis 4	X2 → Y2	0.168		0.168	0.036	positive	Significant
Hypothesis 5	X1 → Y1 → Y2		0.022	0.097	0.059	positive	Significant
Hypothesis 6	X2 → Y1 → Y2		0.001	0.169	0.94	positive	Not significant
Hypothesis 7	Y1 → Y2	-0.169		-0.169	0.039	negative	Significant

Source: Processed in 2020

Based on table 5.9, it can explain the direct effect and indirect effect between variables in this study. The direct effect of Dividend Policy (X1) on Profitability (Y2) is 0.075. Dividend Policy (X1) towards Capital Structure (Y1) of -0,144. The direct effect of Capital Structure (Y1) on Profitability (Y2) of -0.169. To get a total effect, the direct effect of the Dividend Policy (X1) on Profitability (Y2) is summed with the indirect effect of the Dividend Policy (X1) on Profitability (Y2) so that the total effect between variables is 0.097. The direct effect of Investment Decisions (X2) on Profitability (Y2) was 0.168. Investment Decision (X2) on Capital Structure (Y1) of -0.008. The direct effect of Capital Structure (Y1) on Profitability (Y2) of -0.169. To get a total effect, the direct influence of investment decisions (X2) on profitability (Y2) is summed with the indirect effect of investment decisions (X2) on profitability (Y2) so that the total effect between variables is 0.169.

Discussion

Effect of Dividend Policy on Capital Structure

The first hypothesis testing results obtained that the Dividend Policy has a negative and significant effect on the capital structure of manufacturing companies listed in the Indonesian Stock Exchange. This result is proved by the results of the negative Dividend Policy path coefficient of -0.144 with a significance of 0.020 < 0.05. This significance value indicates the change in the value of the Dividend Policy (Dividend Payout Ratio) will affect changes in the value of the Capital Structure (Debt to Equity Ratio). In this study, Dividend Policy is measured by the proportion of Dividend Payout Ratio to compare Earnings Per Share on Dividends Per Share Owned by the company.

Test results that have a negative direction mean that the reduction in Dividend Policy as measured through the Dividend Payout Ratio will raise the Capital Structure significantly. When the Dividend Policy decreases, the Capital Structure will increase. Likewise, on the contrary, if the capital structure decreases, it will increase the company's dividend policy. This is due to companies with high capital structure that will result in liabilities in the form of interest expense. In the end a high interest expense will be prioritized over dividend payments. This shows that if the capital structure increases, the company's dividend policy will decrease. Likewise, if the capital structure decreases, it will increase the company's dividend policy. This is consistent with the theoretical basis put forward by Weston and Copeland (2010: 125), that "dividend policy determines the distribution of profits between payments

to the distribution of shares and corporate reinvestment. Retained earnings (retained earnings) is one of the most important sources of funds to finance company growth, but dividends are cash flow set aside for shareholders ", similar to the theory put forward by Sartono (2014: 282), that" dividend policy (dividend policy) is a decision whether profits obtained by the company at the end of the year will be distributed to shareholders in the form of dividends or will be retained to increase capital for investment financing in the future ". This means that if the company decides to distribute profits in the form of dividends, the company will use external funds or debt to outside parties to invest, and vice versa if the company does not distribute dividends or retained earnings, then the company will use internal funds for investment purposes in other words the company does not use external funds for investment.

This finding is in line with research conducted by Asif1 A, R. Waqas and K. Yasir (2011) that Leverage has a negative relationship with Dividends, the higher the Leverage the lower the Dividend. Likewise, the higher the Dividend, the lower the Leverage. These results are also in line with research conducted by Lopulusi I. (2013) that Debt is not a significant negative effect on Dividend Policy. This negative effect indicates that if the debt variable increases, it will cause a decrease in the variable changes in Dividend Policy. The higher the debt that the business entity has, the lower the dividend distributed.

Effect of Investment Decisions on Capital Structure

The second hypothesis testing results obtained that the Investment Decision has a negative effect on the Capital Structure of manufacturing companies listed in the Indonesian Stock Exchange. This result is evidenced by the results of the negative Investment Decision path coefficient of -0.008 with a significance of 0.901 <0.05. This means that the coefficient value is negative and the significance value is greater than 0.05, then the Investment Decision variable has a negative and not significant effect on the Capital Structure. This means that there is no influence between Investment Decisions and Capital Structures. This happens because the fluctuation of Price Earning Ratio (PER) is not large so it does not affect Debt to Equity Ratio (DER).

Investment decisions are decisions concerning the allocation of funds originating from within and outside the company in various forms of investment in this case is debt to increase corporate profits, increasing profits will have an impact on dividend policy. The investment decision is determined by how much the Price Earning Ratio (PER) is. The greater the PER of a stock, the more expensive the share of earnings per share. Thus the greater the PER value of a company the higher the amount of debt. The increase in PER assessed by investors shows better performance, which also has the effect of attracting the attention of potential creditors. The increasing attention of creditors towards the company, it is very possible the amount of debt will increase. A relatively large increase in debt from own capital will increase PER. Signal or signal is an action taken by the company to give instructions to investors about how management views the company's prospects. This signal is in the form of information about what has been done by management to realize the wishes of the owner. This is in line with the Signaling Theory (Ross, 1977) states that the company's executives have better information about the company will be encouraged to convey this information to prospective investors so that the company's stock price increases.

This result is also in line with research conducted by De Crom F. (2011) that leverage has a negative and not significant relationship to investment decisions. This is an indication that the problem of under-investment and over-investment is more severe for high-growth companies than low-growth companies. This study is in line with Zahroh F. and Fitria A. (2016) that the investment decision variable has

a positive direction and is not significant to the capital structure variable. This is because investment decisions do not really affect the capital structure because the capital structure is more influenced by funding decisions such as debt. Investment decisions are decisions relating to the allocation of funds from within and outside the company in various forms of investment. The investment decision is determined by how much the value of the learning ratio (PER) is. The greater the PER of a stock stating that the stock is more expensive to the net income per share. The implementation of investment decisions is strongly influenced by the availability of funds in the company from internal funding sources and external funding sources. Investment activities undertaken by the company will determine the benefits to be gained by the company and the company's performance in the future. If the company is wrong in the investment selection, then the company's survival will be disrupted and this will certainly affect investors' assessment of the company. Therefore, in making a decision, it is necessary to determine the composition of an ideal capital structure for the company. However, the condition of the company does not support the pecking order theory which states that the company prefers internal funding. This is possible because there are investment opportunities so the company requires large funds, if the company is in its infancy, the company requires a lot of funds for its operational activities. So the company will increase the level of debt capacity that can benefit the company. It is possible that even if the company's profits increase, the company's loans increase. Because investors will believe and feel safe if accompanied by existing collateral. So the company has a great opportunity to use debt to meet its capital needs. This is also not in accordance with the signaling theory which states that an action taken by the company's management gives instructions (signals) to investors about how management views the company's projects.

The Effect of Dividend Policy on Profitability

The third hypothesis testing results obtained that the Dividend Policy has a positive and not significant effect on profitability in manufacturing companies listed on the Indonesian Stock Exchange. This result is evidenced by the results of the positive dividend policy path coefficient of 0.075 with a significance of 0.321. This means that the positive coefficient and the significance value is greater than 0.05 then the Dividend Policy variable has a positive effect and is not significant on profitability. The value of the positive dividend policy coefficient means that if the value of the dividend policy increases by one percent then profitability rises by 0.075 percent assuming the capital structure variable and investment decision remain constant. The company's dividend policy becomes a means to provide information to the market or investors regarding the company's financial condition. These results support the signaling theory.

This result is also in accordance with the theory of Suhadak and Darmawan (2011: 79) stating "the increase in dividend payments by companies to investors is considered good news because it indicates the condition and prospects of the company in good condition, resulting in positive reaction by investors". The purpose of investors to invest their funds in a company is to get a rate of return in the form of dividends or capital gains. Dividend policy is a company policy related to dividend payments to shareholders whose conditions depend on the company's profitability (Riyanto, 2001: 265). Sudjoko and Soebiantoro (2007) explained that high profitability would indicate a good prospect of a company, especially in dividend payments to shareholders. Thus, investors will respond positively to this and ultimately increase the value of the company.

The relationship between Dividend Policy on Profitability is not significant. That is, fluctuations in the Dividend Policy do not affect the value of the Profitability. This result is in line with research conducted by Henny L. Anugrah (2018) that the

DPR has a negative effect on profitability in the future. This explains that the dividend ratio owned by the company will result in a decrease in profitability in the future. Companies in determining the usefulness of the retained earnings can affect operational activities in the future. If the company determines to distribute dividends annually, the retained earnings that will be used in the next year's operating capital will be reduced so that it is likely to reduce the profits earned in the following year. So, it can be concluded that if the value of dividends increases, profitability in the future will decrease. In addition, according to research by Nurmalia (2007), it is stated that this negative effect is caused by dividends not used by companies as a signal of future financial performance, but only by companies to attract even greater capital flows from investors. These results are in line with the study conducted by Chinedu I. Eneke et. Al (2015) that the Dividend Policy is not significant on profitability.

Effect of Investment Decisions on Profitability

The fourth hypothesis testing results obtained that the Investment Decision has a positive and significant effect on profitability in manufacturing companies listed in the Indonesian Stock Exchange. This result is evidenced by the results of the positive value of the Investment Decision path coefficient of 0.168 with a significance of 0.036. This significance value indicates the change in value of the Investment Decision will affect changes in the value of profitability (ROE).

In this study, Investment Decision is measured by price earning ratio (PER), which is to compare the market price per share with earnings per share. Test results that have a positive direction mean that an increase in Investment Decisions measured through price earning ratios will significantly increase profitability. The effect of investment decisions on profitability is positive, meaning that the greater the investment decision (PER), the higher the profitability (ROE). Investment expenditure gives a positive signal about the company's growth in the future, thus increasing the company's profitability. The greater the investment invested by the company, the higher the profit or profit obtained by the company, this will encourage high investors to invest in the company. This result is in line with Michael Spense's signaling theory in his 1973 article. The theory states that investment spending provides a positive signal to the company's growth in the future, thus increasing stock prices as an indicator of company value. This theory is also in line with the theory put forward by Tandelilin (2010: 7) that investment decisions are to improve investor welfare. welfare in this case is monetary welfare, which can be measured by the sum of current income plus the present value of future income. Sources of investment funds can come from assets that are currently owned, loans from other parties, or from savings. Investors who reduce their current consumption will have the possibility of excess funds to save. Funds derived from these savings, if invested, will give hope in increasing the investor's ability to consume in the future, which is obtained from increasing the welfare of the investor.

These results are in line with research conducted by Maiyo Joan (2013) that there is a positive and significant influence between Investment and Profitability Decisions. This means that with increasing decisions about investment the company will perform better because it will have an impact on company profits. This research is in line with Norm Safitri (2015), which states that investment policy has a significant effect on profitability. The results of this test indicate that the investment decisions that increase the level of profitability received by shareholders will also increase. This shows that the investment opportunity has a direct impact on increasing the company's return on equity. Companies that have high investment opportunities, will have bright future prospects and will affect the increase in share prices, so that the profitability of cement companies listed on the Indonesia Stock Exchange also increases.

Effect of Dividend Policy on Profitability through Capital Structure

Based on the results of testing the fifth hypothesis, it can be described that the Dividend Policy has a positive and significant effect on profitability through capital structure in manufacturing companies listed on the Indonesia Stock Exchange in the 2014-2018 period. This result is evidenced by the results of the path coefficient of the direct influence of the Dividend Policy on Profitability of 0.075 and the indirect effect of 0.022 so as to obtain the influence of the Dividend Policy on Profitability through the Capital Structure of 0.097 with a significant value of 0.059 equal to 0.05. The relationship between dividend policy towards profitability through a positive and significant capital structure.

Capital structure will be able to increase the profitability of the company, because the debt worship will be able to increase the company's ability to earn profits, this is due to the funds available for more operations. In addition to this, the use of funds in the form of long-term debt in the capital structure of the company will be accompanied by the obligation to pay fixed costs in the form of loan interest in the hope that it can increase the company's profitability (Prastika, 2013). The higher level of profitability will increasingly motivate companies to distribute dividends to shareholders. Capital structure explains that the capital structure shows how much the company's activities are financed by debt and how much the company's activities are financed by its own capital. Both operational and non-operational activities of the company are basically carried out for profit, so that the capital structure can be said to be very closely related to the company's ability to earn profits (profitability). The company's capital structure that tends to be dominated by debt will increase the interest expense borne by the company, resulting in a decrease in corporate income, but the tax that must be paid by the company becomes small. Vice versa, the company's capital structure that tends to be dominated by its own capital will reduce the interest expense borne by the company, resulting in increased company income or the profits obtained will be large, but the tax that must be paid by the company is also large. The company's dividend policy becomes a means to provide information to the market or investors about the company's financial situation. These results support the signaling theory or signal theory.

The positive thing in signaling theory is that companies that provide good information will distinguish them from companies that do not have "good news" by informing the market about their situation, signals about good future performance provided by companies whose financial performance is not good past will be trusted by the market (Wolk and Tearney in Dwiyanti, 2010). These results also support the theory of Darmawan (2011: 79) stating "the increase in dividend payments by companies to investors is considered good news because it indicates the condition and prospects of the company in good condition, thus resulting in positive reaction by investors". These results are in accordance with research conducted by Ajanthan. A (2013) found that dividend policy had a positive and significant effect on profitability. That is, an increase in the company's financial well-being tends to have a positive impact on the level of dividend payments. This study is in line with research conducted by Niway Ayalew Adimasu (2019) that the Dividend Policy has a positive and significant effect on profitability. The decision to pay dividend policy is one of the core decisions in finance and it is all about how much income should be paid to investors and how much should be saved for future expansion / investment needs of the company. Therefore, making the right dividend payment decision is very valuable both for the company and for investors.

Effect of Investment Decisions on Profitability through Capital Structure

Based on the results of the sixth hypothesis testing, it can be described that the Investment Decision has a positive and significant effect on profitability through

the capital structure of manufacturing companies listed on the Indonesia Stock Exchange in the 2014-2018 period. This result is evidenced by the results of the direct path coefficient of the Investment Decision on Profitability of 0.168 and the indirect effect of 0.001 to obtain the influence of the Investment Decision on Profitability through the Capital Structure of 0.169 with a significant value of 0.94 greater than 0.05. The relationship between investment decisions on profitability through capital structure is positive and not significant. No significant means that the ups and downs of Investment Decisions seen from the Price Earning Ratio (PER) through the Capital Structure have no effect on profitability. so it can be stated that the Capital Structure cannot function as an intervening variable in the effect of Investment Decisions on Profitability in manufacturing companies listed on the Indonesia Stock Exchange in 2014-2018. Investment decisions are decisions regarding the allocation of funds from within and outside the company in various forms of investment.

The investment decision is determined by how much the price earning ratio (PER) is. The greater the PER of a share, the more expensive the share per share. Based on agency theory, if the debt to stock ratio is relatively high, shareholders are tempted to substitute assets, by increasing the risk of the company. Rising risk will benefit investors, otherwise the risk is greatly avoided by creditors because the interest received remains the same, regardless of the profit from the company. To prevent this, creditors charge higher interest rates by increasing the amount of debt. Thus the greater the value of a company's PER the higher the amount of debt. These results are consistent with those raised by Michael Spense (1973) signaling theory. The theory states that investment expenditure provides a positive signal to the company's growth in the future, thus increasing stock prices as an indicator of company value. These results are in line with the theory put forward by Tandelilin (2010: 7) that investment decisions are to improve investor welfare. welfare in this case is monetary welfare, which can be measured by the sum of current income plus the present value of future income. Sources of investment funds can come from assets that are currently owned, loans from other parties, or from savings. Investors who reduce their current consumption will have the possibility of excess funds to save.

Funds derived from these savings, if invested, will provide hope for an increase in investor consumption capacity in the future, which is obtained from increasing the welfare of the investor. These results support the research conducted by Ria Esana and Ari Darmawan (2017) that investment has no significant effect on $t + 1$ profitability. The findings of this study do not strengthen the theory of Miller and Modigliani (1961), so the company's investment decisions cannot provide information about the company's future prospects (profitability $t + 1$). These results indicate the existence of information asymmetry between investors and company managers. In addition to the information assimilation, there are other external factors that are thought to affect the formation of future profitability ($t + 1$) of the company although for example factors from other financial management such as dividend policy, funding and corporate debt the company has a good investment decision. This is in line with what was conveyed by Fama and French in Giriati (2015: 4) regarding the relationship between financial decisions and firm value. Positive effect means that financing decisions have a positive effect on profitability and it can be concluded that the more attainment of financing decisions, the profitability will also increase.

Effect of Capital Structure on Profitability

The seventh hypothesis test results obtained that the Capital Structure has a negative and significant effect on profitability in manufacturing companies listed on the Indonesian stock exchange. This result is evidenced by the results of the path

coefficient of the negative capital structure of -0.169 with a significance of 0.039 <0.05. This significance value indicates changes in the value of the Capital Structure (DER) will affect changes in the value of profitability (ROE). This negative and significant influence indicates that the greater the value of the capital structure ratio indicates the more debt to be paid by the company so that it affects the decline in profit or profitability ratio and vice versa, the lower the value of the capital structure ratio indicates the smaller amount of debt that must be paid by the company so that it affects an increase in the company's profit ratio or profitability.

Capital Structure (DER) has a negative effect on profitability (ROE) means that when the Capital Structure increases, the profitability of the company will decrease and vice versa. This result is in accordance with the theory developed by Brigham and Houston (2010: 189) which states that companies with very high return on investment use relatively small amounts of debt. The high rate of return enables the company to do most of its funding through funds that are generated internally. This is in accordance with the pecking order theory states that profitable companies prefer internal funding compared to external funding.

Capital structure has a significant effect on profitability, meaning that if the debt to equity ratio increases it will reduce the amount of ROE, conversely if the debt to equity ratio decreases it will increase the amount of ROE. This indicates that debt is inversely proportional to ROE. When the debt to equity ratio is low, debt is low, increasing profits because companies do not have to bear the burden of interest and reduce the risk of financial distress. These results are in line with research conducted by Slamet Priyanto and Akhmad Darmawan (2017) that Debt to Equity Ratio (DER) has a negative and significant effect on profitability (ROE). The higher the debt ratio to Debt to Equity Ratio (DER), the more risky the company will be, so the higher costs incurred to pay interest or dividends to investors compared to the profit generated. Companies that cannot pay interest or dividends every month to investors will have bad consequences in the short term and in the long run bankruptcy will occur. The results of this research are in line with research conducted by Agung Wibowo and Rida Rahim (2019) that there is a negative and significant relationship between Dividend Policy and Profitability. A larger portion of debt will be able to return shareholders' equity better and increase operating income, but will not be able to return assets, because assets built through debt do not contribute more to corporate income, which is still limited by government regulations. The results of this study are in line with research conducted by Mohammad Fawzi Shubita and Jaafer Maroof alsawalhah (2012), Muhammad Nauman Sadiq & Fateh Sher (2016).

Conclusion

Based on the results of the description in the previous chapters, then overall it can be concluded that:

1. Dividend Policy (X1) has a negative and significant direct effect on the Capital Structure (Y1) on manufacturing companies listed on the Indonesia Stock Exchange. The results of this study indicate that the reduction in Dividend Policy as measured through the Dividend Payout Ratio will raise the Capital Structure significantly. When the Dividend Policy decreases, the Capital Structure will increase. Likewise, on the contrary, if the capital structure decreases, it will increase the company's dividend policy. This is due to companies with high capital structure that will result in liabilities in the form of interest expense. In the end a high interest expense will be prioritized over dividend payments. This shows that if the capital structure increases, the company's dividend policy will decrease. Likewise, if the capital structure decreases, it will increase the company's dividend policy.
2. Investment Decision (X2) has a negative and insignificant direct effect on the

Capital Structure (Y1) on manufacturing companies listed on the Indonesia Stock Exchange. The results of this study indicate that there is no influence between Investment Decisions and Capital Structures. This happens because the fluctuation of Price Earning Ratio (PER) is not large so it does not affect Debt to Equity Ratio (DER). The investment decision is determined by how much the Price Earning Ratio (PER) is. The greater the PER of a stock, the more expensive the share of earnings per share. Thus the greater the PER value of a company the higher the amount of debt. The increase in PER assessed by investors shows better performance, which also has the effect of attracting the attention of potential creditors. The increasing attention of creditors towards the company, it is very possible the amount of debt will increase. A relatively large increase in debt from own capital will increase PER. Signal or signal is an action taken by the company to give instructions to investors about how management views the company's prospects.

3. Dividend Policy (X1) has a positive and insignificant direct effect on profitability (Y2) for manufacturing companies listed on the Indonesia Stock Exchange. The results of this study indicate that the value of the positive dividend policy coefficient means that if the value of the dividend policy increases by one percent then profitability rises by 0.075 percent assuming the capital structure variable and investment decision remain constant. The company's dividend policy becomes a means to provide information to the market or investors regarding the company's financial condition. The relationship between Dividend Policy on Profitability is not significant. That is, fluctuations in the Dividend Policy do not affect the value of the Profitability. The dividend ratio of the company will result in a decrease in profitability in the future. Companies in determining the usefulness of the retained earnings can affect operational activities in the future. If the company determines to distribute dividends annually, the retained earnings that will be used in the next year's operating capital will be reduced so that it is likely to reduce the profits earned in the following year. So, if the value of dividends increases, profitability in the future will decrease.
4. Investment Decision (X2) has a positive and significant direct effect on profitability (Y2) for manufacturing companies listed on the Indonesia Stock Exchange. Test results that have a positive direction mean that an increase in Investment Decisions measured through price earning ratios will significantly increase profitability. The greater the Investment Decision (PER), the higher the Profitability (ROE). Investment expenditure gives a positive signal about the company's growth in the future, thus increasing the company's profitability. The greater the investment invested by the company, the higher the profit or profit obtained by the company, this will encourage high investors to invest in the company.
5. Dividend Policy (X1) has an indirect effect on profitability (Y2) through the Capital Structure (Y1), which is positive and significant for manufacturing companies listed on the Indonesia Stock Exchange. The results of this study indicate that the greater the Dividend Policy is influenced by the Capital Structure, it can increase the company's profitability. Because the addition of debt will be able to increase the company's ability to make a profit. this is due to more funds available for operations. The higher level of profitability will increasingly motivate companies to distribute dividends to shareholders. Capital structure explains that the capital structure shows how much the company's activities are financed by debt and how much the company's activities are financed by its own capital. Both operational and non-operational activities of the company are basically carried out for profit, so that the capital structure can be said to be very closely related to the company's ability to earn

profits (profitability). So that the Capital Structure is appropriate to be an intervening variable or mediator of the relationship of Dividend Policy to Profitability.

6. Investment Decision (X2) has an indirect effect on profitability (Y2) through the Capital Structure (Y1), which is positive and insignificant for manufacturing companies listed on the Indonesia Stock Exchange. The results of this study indicate that the ups and downs of Investment Decisions seen from the Price Earning Ratio (PER) through the Capital Structure have no effect on profitability. so it can be stated that the Capital Structure cannot function as an intervening variable in the effect of Investment Decisions on Profitability in manufacturing companies listed on the Indonesia Stock Exchange in 2014-2018. Investment decisions are decisions regarding the allocation of funds from within and outside the company in various forms of investment. The investment decision is determined by how much the price earning ratio (PER) is. The greater the PER of a share, the more expensive the share per share.
7. Capital Structure (Y1) has a negative and significant direct effect on profitability (Y2) on manufacturing companies listed on the Indonesia Stock Exchange. The results of this study show that the greater the value of the ratio of capital structure indicates the more debt that must be paid by the company so that it affects the decrease in profitability ratio and vice versa, the lower the value of the ratio of capital structure indicates the smaller amount of debt that must be paid by the company thereby affecting the increase in the company's profit ratio or profitability. This indicates that debt is inversely proportional to ROE. When the debt to equity ratio is low, debt is low, increasing profits because companies do not have to bear the burden of interest and reduce the risk of financial distress.

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