

Moderating the Company Value's Determinants of Oil Palm Estate Company in Indonesia

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Abstract

This study aims to gather evidence of the direct and indirect effects of the factors that determine a company's value, which are controlled by the dividend policy and corporate social responsibility (CSR). Purposive sampling determines the chosen samples. Refer to the performed recapitulations and calculations, there are only 5 companies of the 24 listed at IDX that meet the given criteria in 2009-2017. Using Structural Equation Modeling (SEM) utilizing a WarpPLS (Warp Partial Least Squares) approach we found that the capital structure has a negative and substantial impact on the company's worth during the years when the global economy was unstable and the price of products was declining. By adopting optimal and consistent CSR activities and boosting dividend payouts to the optimal level, this effect can be lessened and transformed into something positive and important. Increasing dividend payments steadily to the ideal level can likewise lessen or transform the positive and insignificant capital structure effect on the firm value through company growth into a positive and large one. Furthermore, because oil palm estate businesses have a three-year investment period, it is particularly crucial for management to carefully and accurately weigh the marginal benefits and costs of employing long-term bank loans or liabilities to finance business operations.

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1. Introduction

Since 2006, Indonesia has emerged as the world's leading producer of palm oil. Indonesia's production of crude palm oil (CPO) increased dramatically between 2013 and 2022. The oil palm estate sector in Indonesia generated the most foreign exchange earnings in 2016 and 2017, coming in at USD 18.22 billion and USD 22.97 billion, respectively, a 26% increase. However, the quantity of CPO and its derivatives exported between January and November 2018 was USD 15.2 billion, or less, than the USD 16.9 billion realized during the same period in 2017 (Salsabila et al., 2024). The substantial 15% drop in the CPO sales price in 2018 was the reason for the decline in the export of CPO and its derivatives (PT. Astra Agro Lestari, 2018).

There have been 24 oil palm estate companies listed on the Indonesia Stock Exchange (IDX, 2022). Each of them tries to increase cultivated area to meet the better economy scale to be more profitable. Indonesia Statistics on Oil Palm (2023) described that the total number of oil palm estate area in 2002 was merely 5,067,058 hectares, with palm oil production was as much as 9,622,345 tons Crops, (2018). In 2016, the oil palm estate area had been 11,201,465 hectares, with the total production of 31,487,986 tons or average increase of 14.74% or 2,161,124 tons per year.

The rapid expansion of farmed oil palm estate regions suggests that a significant amount of capital is required to support the start-up of oil palm estate businesses. Naturally, achieving the establishment necessitates the most cost-effective funding sources and permits the setup to proceed smoothly, both internally and internationally. This strategy cannot be avoided because, during the investing phase, there will only be cash outflows for three years. The increasing number of oil palm estate regions and businesses encourages each one to use leverage or go public in order to raise money from banks or investors and have enough funding. This choice is necessary because oil palm estates require a three-year investment period or no capital inflow for three years before they can grow enough harvests to generate CPO.

Before taking investment decisions, investors need various information to be able to have stock valuation. Stock valuation cannot be separated from the company value. The company value has critical role as it reflects the financial performance that influences the investor perceptions. Every strategy to create company value must align with one of the five dimensions of firm value, according to (Mard et al., 2005; Wardhani et al, 2022). These dimensions are: increasing market share with constant capital invested; investing capital in projects with higher rate of return; increasing profit through operation efficiencies using constant capital structure; maintaining current profit by using less capital based on better asset uses; and increasing profit by decreasing cost of capital. The price to book value (PBV) and price to earnings ratio (PER) are measurements of a company's worth that take into account its ability to expand steadily and its lack of weaknesses, according to Tobin's Q (Zaenal et al., 2025). The intended business value can be created by debt policy, but it also depends on the firm's growth, which is correlated with profitability. This suggests that businesses with strong rates of growth have better access to finance markets.



Raising funds for organic expansion of old companies and new investments of new companies are directly related to the determination of the capital structure. The choice of each company to go public in meeting the financing needs of organic expansions of old companies and new investments of new companies is an indicator that the company's capital structure is formed of debt, equity, and a combination of securities. The capital structure of the business is known as financial leverage, and it directly affects the cost of capital and total risk of the business (Baker & Martin, 2011). Companies' capital structures are influenced by their unique qualities, which are expressed in certain aspects including corporate size, growth prospects, non-debt tax shield, profitability, and liquidity. The choice of the company's capital structure is negatively impacted by growth prospects, liquidity, and profitability (Ozkan, 2001). Because equity funding is non-binding, corporate management favors it over debt financing (Chen, 2003). The determinants of capital structure and corporate ownership structure in developing capital markets are the same as those found in developed markets, namely; profitability, firm size, growth rate, asset structure and liquidity (Al-Najjar & Taylor, 2008).

The combination of equity-debt is a common pattern in a company's capital structure. There is no an ideal mix of equity-debt that can be stated as an optimal capital structure for individual company (Adeyemi & Sankay, 2011). The choice of a company's capital structure in financing company growth cannot be separated from the expectation of increased profitability that is to enhance the company value. Ghosh, (2011) confirmed that an increase in profitability has a positive effect on the creation of future value of the company. Murekefu & Ouma, (2012) found that dividend payments affect company performance, and this relationship is strong and positive.

Corporate Social Responsibility (CSR) is another factor that investors and prospective investors use to evaluate listed firms. This finding is corroborated by other studies that discovered a favorable correlation between corporate social responsibility (CSR) and business profitability (Mcguire et al., 1988). Through proxies of advertising intensity, Servaes & Tamayo (2013) verified that CSR initiatives can raise the value of businesses with significant public concern. There is a correlation between corporate social responsibility (CSR) and the value of the company, as determined by return on assets (ROA) (Waddock & Graves, 1997; Tsoutsoura, 2004; Dumitrescu, 2014).

Upon the findings of previous studies, this research seeks to deepen the understanding of financial determinants influencing the value of oil palm estate companies in Indonesia. Specifically, it examines how capital structure affects firm value, with corporate growth and profitability serving as mediating variables, and dividend policy together with corporate social responsibility (CSR) functioning as moderating variables. By focusing on publicly listed oil palm estate firms on the Indonesia Stock Exchange (IDX), this study aims to address the existing research gap regarding how financial and non-financial factors interact in shaping firm value within a capital-intensive, resource-based industry. The results are expected to contribute both theoretically by extending firm value models in the context of emerging markets and practically, by providing insights for investors and policymakers in optimizing financial strategies for sustainable corporate performance.



2. Literature Review

A financing mix that optimizes the firm's or stock price's value is known as an optimal capital structure. The ideal capital structure does not exist if the funding mix has no bearing on the firm's value. Research on capital structure and corporate value was pioneered by Modigliani & Miller (1958), who launched modern capital structure theory. The total tax advantages of debt financing amount to roughly 7% of the typical company's worth. Accordingly, if a company without leverage chooses to take on an average amount of debt, its value will rise by 7% (Brigham & Houston, 2009). Other things being equal, businesses with highly erratic earnings are more likely to go bankrupt and should take on less debt than those with more steady revenues. There is disagreement over the best leverage metric to employ. The debt-to-leverage ratio was examined in a number of research. Rajan & Zingales's (1995) research was mentioned by Shyam-Sunder & C. Myers (1999), Fama & French (2002), and Fisseha (2010). Booth et al. (2001) claimed that the two studies only used one leverage metric, the debt to equity ratio (Fisseha, 2010).

Company growth is highly anticipated by both internal and external parties, because good growth is a sign of company's good performance. New technologies can cause changes in the number of workers anywhere in the economy (upstream sectors) and may also affect demand by lowering prices or raising wages and investment (Coad & Hölzl, 2010). The company growth cannot be explained using financial performance, whether measured using the profit rate or the growth rate (Coad & Rao, 2010). Productivity and profitability are two closely related variables and empirical researches find a close relationship between them both (Coad & Hölzl, 2010)

Profitability ratios reflect conditions that had occurred in the past which can provide clues about things that are actually important and may occur in the future. Grinyer & McKiernan, (1991) found that corporate profitability can be explained by a number of factors, including market share, capital intensity, sales growth, working capital, and decentralization. According to Bennenbroek & Harris (1995), market efficiency and power have a significant impact on profitability. Glancey (1998) discovered that business attributes such as industry group, size, age, and location are not very useful in describing profitability.

Dividend is the distribution of net income in the form of real assets to the company shareholders in proportion to their ownership and is the main objective of investing to increase their welfares. Miller & Modigliani, (1961) stated stock prices do not depend on dividend policy, stock values reflect cash flows and future growth opportunities. Stock price changes caused by changes in dividend payments because the information content of dividends represents differences in the special information held by corporate managers and the information available to the public. Only unexpected changes in dividend levels and disclosure of new information can affect stock prices under the assumption of a perfect market (Frankfurter et al., 2003).

The stock market encourages many businesses to practice Corporate Social Responsibility (CSR). The public's interest in corporate social responsibility (CSR) is growing, and a sizable and quickly expanding shareholder base expressly raises ethical issues while making



investment decisions. The owners of the business may benefit in the long run from voluntary efforts to serve the interests of parties other than the direct owners. Specifically, agency theory, as outlined by Jensen (2002), transformed CSR into an enlightened value maximizing. The degree to which investments made for the good of the larger community improve shareholder value over the long run should be the criterion for CSR initiatives for businesses (Hennigfeld et al., 2006).

Refer to the literature review above, the hypothesis can be outlined as follows:

H₁: Company growth is positively and significantly impacted by capital structure.

H₂: Company value is negatively and significantly impacted by capital structure.

H₃: Profitability is negatively and significantly impacted by capital structure.

H₄: Company value is negatively and significantly impacted by capital structure indirectly through firm growth.

H₅: Company value is positively and significantly impacted by capital structure indirectly through profitability

H₆: Profitability is positively and significantly impacted by company growth.

H₇: Company value is positively and significantly impacted by company growth.

H₈: Company value is positively and significantly impacted by company growth indirectly through profitability.

H₉: Company value is positively and significantly impacted by profitability.

H₁₀: Company value is positively and significantly moderated by dividend policy in relation to company growth.

H₁₁: Company value is positively and significantly moderated by dividend policy in relation to capital structure.

H₁₂: Company value is positively and significantly moderated by CSR in relation to profitability.

H₁₃: Company value is positively and significantly moderated by CSR in relation to capital structure.

3. Research Methods

The goal of the study is to gather empirical evidence of the factors that influence business value, using CSR and dividend policy as moderators for a number of publicly traded oil palm estate companies on the Indonesia Stock Exchange (IDX). Six (six) factors are used in this study: one (one) exogenous variable, capital structure; three (three) endogenous variables, firm value, profitability, and company growth; and two (two) moderating variables, dividend policy and corporate social responsibility. According to the study's goals, it falls under the category of explanatory research, which uses moderating variables and hypothesis testing to support its explanation of the causal relationship between exogenous and endogenous.

Research population consists of 24 publicly listed oil palm estate companies on the Indonesia Stock Exchange (IDX)). In an attempt to fulfill the nine-year data analysis requirements, the sampling determination of this study uses Purposive Sampling approach with the following criteria: 1) Publicly listed oil palm estate companies that have published financial statements to the public and have generated sustainable profits from 2009 to 2017; 2) Publicly listed oil palm estate companies on IDX that have published their Annual Reports to the public, which



include reports on CSR practices in accordance with the Limited Liability Company Law and other regulations; 3) Publicly listed oil palm estate companies that have oil palm estate area $\geq 75,000$ hectares from 2009 to 2016; 4) Companies in the oil palm sector that are publicly traded and have won national and international awards or earned national and international certifications include: Indonesia Sustainable Palm Oil (ISPO), Roundtable on Sustainable Palm Oil (RSPO), International Sustainability & Carbon Certification (ISCC), Clean Development Management (CDM), Corporate Social Responsibility (CSR), Environmental Management System/EMS (ISO 14000), and others from 2009 to 2017; 5) Oil palm estate companies that consistently pay dividends quarterly starting from the second quarter of each year from 2009 to 2017; 6) Oil palm estate companies that expand their area year by year, identified by the growth rate of fixed assets and total assets from 2009 to 2017. The fulfillment of these six criteria is done by selecting only 5 oil palm estate companies that are publicly listed on IDX as samples, they are: 1) Astra Agro Lestari International Tbk (AALI). 2) PP London Sumatera Indonesia Tbk (LSIP). 3) SMART Tbk (SMAR). 4) Sampoerna Agro Tbk (SGRO). 5) Tunas Baru Lampung Tbk (TBLA).

Documentation studies were used in this study's data gathering process, particularly to gather secondary data from audited financial reports and other sources published on IDX via the www.idx.co.id website. Structural Equation Modeling (SEM) utilizing a WarpPLS (Warp Partial Least Squares) approach is the data analysis method employed in this study. The hypothesis is converted into the research model, the structural equation, and the research path diagram via the research model. The path diagram can be depicted as follows in Figure 2 based on the hypothesis:

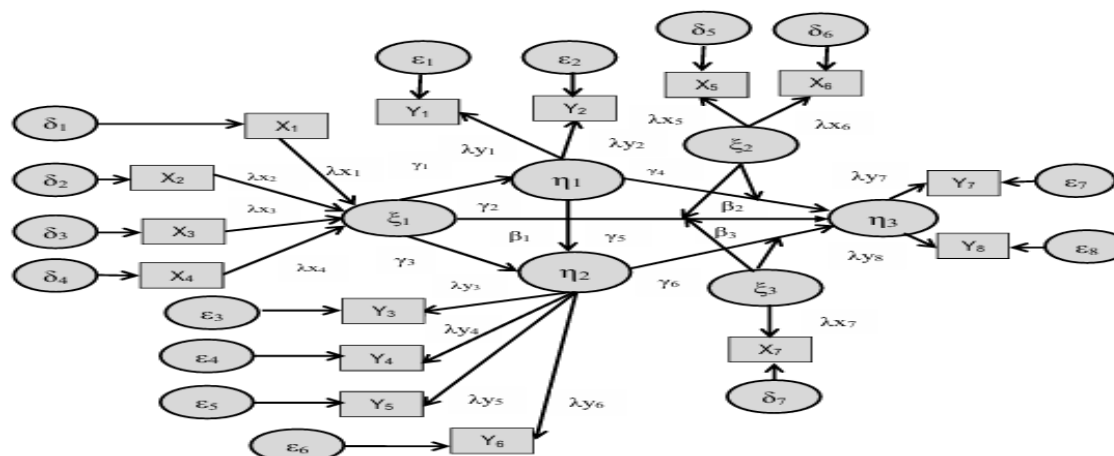


Figure 2. Full Path Model Diagram Basic Research Model

Description:

- ξ_1 : Capital Structure.
- ξ_2 : Dividend Policy.
- ξ_3 : Corporate Social Responsibility (CSR).
- η_1 : Company Growth.
- η_2 : Profitability.



- η^3 : Company Value.
 ε : Epsilon (small), measurement error on the manifest variable for the endogenous variable.
 γ : Gamma (small), the coefficient of the effects of exogenous variable on endogenous variables
 β : Beta (small), the coefficient of the effects of endogenous variables on endogenous variables.
 ζ : Zeta (small), model error.
 λ_x : Lamda (small), loading factor of exogenous variable.
 λ_y : Lamda (small), loading factor of endogenous variables.
 δ : Delta (small), measurement error on manifest variables for exogenous variable.

4. Results

Descriptive

The average computation results for the debt-to-asset ratio (DAR), debt-to-equity ratio (DER), long-term debt-to-asset ratio (LTDER), and long-term debt-to-asset ratio (LTDAR) show a shifting pattern between 2009 and 2017. The highest average LTDER is 0.68598 occurred in 2016, while the lowest is 0.25493 found in 2011. There is an increase tendency of the long-term debt of the sample companies in average without the increase in the equity. This indicates an increasing risk for the companies. The average analysis results of the variables can be overviewed in Table 1. as follows:

Table 1. Descriptive Statistics

Indicator	2009	2010	2011	2012	2013	2014	2015	2016	2017
DAR	0.379	0.352	0.351	0.363	0.404	0.448	0.496	0.481	0.454
DER	0.786	0.714	0.686	0.708	0.893	1.037	1.245	1.220	1.116
LTDAR	0.165	0.148	0.127	0.140	0.191	0.188	0.254	0.274	0.247
LTDER	0.356	0.310	0.255	0.290	0.437	0.443	0.626	0.686	0.604
SG	0.076	0.153	-0.022	0.013	0.167	0.020	-0.006	0.176	0.023
AG	0.011	0.053	0.044	0.042	0.033	0.042	0.043	0.038	0.009
OPM	0.225	0.241	0.248	0.203	0.170	0.171	0.113	0.123	0.156
NPM	0.145	0.166	0.187	0.146	0.119	0.116	0.063	0.111	0.098
ROA	0.033	0.040	0.046	0.033	0.025	0.024	0.010	0.018	0.015
ROE	0.053	0.061	0.070	0.060	0.039	0.044	0.020	0.040	0.031
PER	78.485	49.388	43.438	53.030	140.033	63.906	67.857	61.261	67.978
PBV	13.109	17.441	23.459	24.165	22.104	24.582	18.468	16.679	16.922
DPS	87.009	125.528	174.134	232.253	227.939	95.179	96.671	27.425	93.923
DPR	0.648	0.598	1.096	1.333	7.085	0.557	1.317	0.517	1.107
CSR	0.467	0.538	0.602	0.638	0.682	0.726	0.752	0.756	0.766

Source: Data Processed.

The average calculation results of Sales Growth (SG) and Asset Growth (AG) show a fluctuating nature from 2009 to 2017. The highest average SG is 0.17581 occurred in 2016, while the lowest is -0.02185 found in 2011. Due to a drop in the selling price of the companies' products, Crude Palm Oil (CPO) and Crude Palm Kernel Oil (CPKO), there is a tendency for the sales growth of the sample companies to reduce considerably on average. From 2009 to 2017, there was a fluctuation in the average calculation results for Operating



Profit Margin (OPM), Net Profit Margin (NPM), Return on Asset (ROA), and Return on Equity (ROE). The highest average OPM is 0.24815 occurred in 2011, while the lowest is 0.11273 found in 2015. There is a decline tendency of the operating profit of the sample companies in average from 2011 to 2017. This decline occurred due to a decrease in the selling prices of the companies' products, Crude Palm Oil (CPO) and Crude Palm Kernel Oil (CPKO). The decline tendency of operating profit is of course followed by a decline tendency of net profit of the sample companies in average. The highest average NPM is 0.18678 occurred in 2011 and the lowest is 0.06282 occurred in 2015.

The average calculation results of Price to Earning Ratio (PER) and Price to Book Value (PBV) show a fluctuating nature from 2009 to 2017. PER has an increase fluctuation, while PBV tends to fluctuate with a slight increase. The highest average PER is 140.03276 occurred in 2013, and the lowest is 43.43815 found in 2011. In 2011, the average market price of the sample companies' stocks was only 43.43815 times the ability of the sample companies to generate average profit per share, but in 2013 there was a very significant increase up to 140.03276 times and it decreased again until 2017. The average calculation results of Dividend Per Share (DPS) and Dividend Payout Ratio (DPR) show a fluctuating nature from 2009 to 2017. DPS has a tendency to significantly decline, while DPR tends to fluctuate with a slight increase. The highest average DPS is Rp 232.25259 occurred in 2012 and the lowest is Rp 27.42533 found in 2016. Since 2009 till 2012, there was a significant increase in the nominal of dividend per share of the sample companies to Rp 232.25259, but it decreased backward with the lowest nominal in 2016 at only Rp 27.42533. The highest average of DPR is 7.08535 occurred in 2013 and the lowest is 0.51698 found in 2016. The average calculation results of Corporate Social Responsibility (CSR) show a fluctuating nature from 2009 to 2017. CSR had experienced significant fluctuations and tended to increase from 2009 to 2017. This indicates a rising level of awareness among sample company managements regarding the important value of implementing CSR for their sustainability. The highest average CSR is 0.76575 occurred in 2017, while the lowest is 0.46712 found in 2009.

The Result of SEM Analysis Using WarpPLS Approach

Model Fit and Quality Indices

The structural model derived from this research is appropriate for additional interpretation since it satisfies all model fit and quality index requirements. The model fit and indices of the WarpPLS model, as displayed in Table 2, provide insight into the model's viability:

Table 2. Model Fit and Quality Indices Warp PLS

No.	Model Fit and Quality Indices	Criteria of Fit	Analysis Results
1	Average path coefficient (APC)	$p < 0.05$	0.224P < 0.001
2	Average R-squared (ARS)	$p < 0.05$	0.289P < 0.001
3	Average adjusted R-squared (AARS)	$p < 0.05$	0.277P < 0.001
4	Average block VIF (AVIF)	Acceptable if ≤ 5 , ideally ≤ 3.3	1.24
5	Average full collinearity VIF (AFVIF)	Acceptable if ≤ 5 , ideally ≤ 3.3	1.723
6	Tenenhaus GoF (GoF)	Small ≥ 0.1 , medium ≥ 0.25 , large ≥ 0.36	0.641



7	Sympon's paradox ratio (SPR)	Acceptable if ≥ 0.7 , ideally = 1	0.9
8	R-squared contribution ratio (RSCR)	Acceptable if ≥ 0.9 , ideally = 1	0.989
9	Statistical suppression ratio (SSR)	Acceptable if ≥ 0.7	1
10	Nonlinear bivariate causality direction ratio (NLBCDR)	Acceptable if ≥ 0.7	0.9

Source: Data Processed.

Outer Model

The Capital Structure (CS) variable is measured using the four key strong indicators. Of the four indicators employed as assessment tools, the Long-Term Debt to Equity Ratio (LTDER) is the most powerful or prevalent. Table 3 provides the following overview of the details.

Table 3. Indicator Weights Formative Variable

No.	Indicator	Weights	p-value	Description
1	DAR	0.258	<0.001	Highly Significant
2	DER	0.259	<0.001	Highly Significant
3	LTDAR	0.252	<0.001	Highly Significant
4	LTDER	0.262	<0.001	Highly Significant

Source: Data Processed.

Table 9 summarizes the following five (five) reflecting variables: Dividend Policy (DP), Company Value (CV), Company Growth (CG), Profitability (P), and Corporate Social Responsibility (CSR):

Table 4. Loading Factor Reflective Variable

No.	Indicator	Loading Factor					SE	P Value	Descriptions
		C. Growth	Profitability	C. Value	Dividen P.	CSR			
1	SG	-0.754					0.064	<0.001	Highly Significant
2	AG	-0.754					0.064	<0.001	Highly Significant
3	OPM		-0.872				0.062	<0.001	Highly Significant
4	NPM		-0.890				0.062	<0.001	Highly Significant
5	ROA		-0.906				0.062	<0.001	Highly Significant
6	ROE		-0.778				0.064	<0.001	Highly Significant
7	PER			-0.708			0.065	<0.001	Highly Significant
8	PBV			-0.708			0.065	<0.001	Highly Significant
9	DPS				-0.843		0.063	<0.001	Highly Significant
10	DPR				-0.843		0.063	<0.001	Highly Significant
11	CSR Index					-1.000	0.061	<0.001	Highly Significant

Source: Data Processed.

Inner Model: The Results of Direct Effect and Moderating Effect Testing

The SEM analysis results using the WarpPLS approach of direct and moderating effects can be overviewed in Figure 3. as follows:



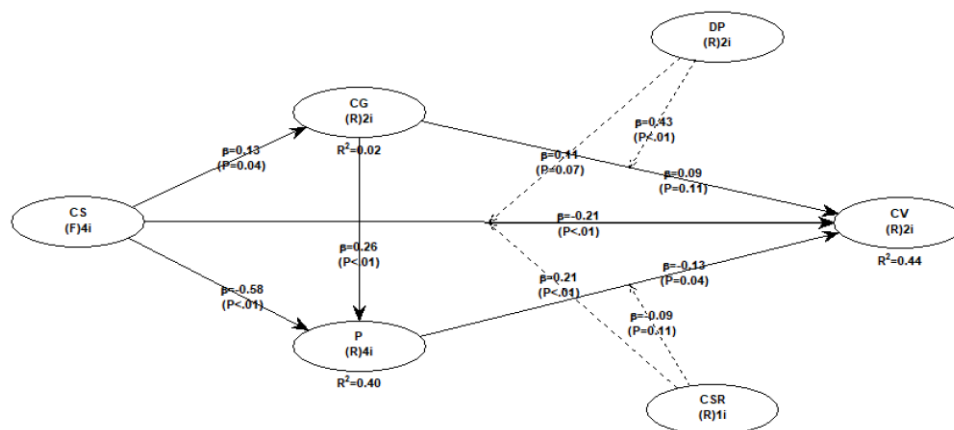


Figure 2. The Results of Structural Model Analysis

Source: Data Processed.

The following are the findings of the hypothesis testing for direct effects and moderating effects, with reference to the analysis's findings as shown in Figure 3:

- The hypothesis is accepted because the relationship between the capital structure (X1) and the company growth (Y1) has a path coefficient of 0.13 and a p-value of 0.04 that is deemed significant. The capital structure has a positive and substantial direct impact on the growth of the company. This suggests that a substantial boost in the company's growth will occur after a capital structure debt increase.
- The hypothesis is accepted since the relationship between the capital structure (X1) and the firm value (Y3) has a path coefficient of -0.21 and a p-value of less than 0.01 that is deemed highly significant. There is a negative and substantial direct relationship between the capital structure and the value of the company. This suggests that a big decline in the company's value will occur as the capital structure's debt levels rise.
- The hypothesis is accepted since the relationship between the capital structure (X1) and profitability (Y2) has a path coefficient of -0.58 and a p-value of less than 0.01 that is deemed highly significant. There is a negative and substantial direct relationship between profitability and capital structure. This suggests that a substantial decline in profitability will occur as the capital structure's debt levels rise.
- The hypothesis is accepted since the relationship between the company's growth (Y1) and profitability (Y2) has a path coefficient of 0.26 and a p-value of less than 0.01 that is deemed highly significant. Profitability and business growth have a favorable and substantial direct relationship. This suggests that a substantial increase in business growth will be followed by a significant increase in profitability.
- The hypothesis is rejected because the relationship between the company's growth (Y1) and valuation (Y3) has a path coefficient of 0.09 and a p-value of 0.11, both of which are deemed not significant. There is a favorable but not statistically significant direct correlation between the company's growth and value. This suggests that a rise in the company's growth will be accompanied by a rise in its valuation, not a modest one.

- f) The hypothesis is rejected since the relationship between profitability (Y2) and firm valuation (Y3) has a path coefficient of -0.13 and a p-value of 0.04 that is deemed significant. Profitability and company value have a negative and substantial direct relationship. This suggests that a substantial decline in the company's value will occur after a rise in profitability.
- g) According to the analysis's findings, the hypothesis is accepted since the interaction between the company's growth (Y1) and dividend policy (X2) on its value (Y3) has a path coefficient of 0.43 and a p-value of less than 0.01 that is deemed highly significant. The dividend policy has a positive and very significant moderating effect. This suggests that the positive and insignificant impact of the company's growth on its value can be changed to a positive and significant effect by implementing an optimal and consistent dividend policy.
- h) According to the analysis's findings, the hypothesis is supported since the interaction between the capital structure (X1) and dividend policy (X2) on the company value (Y3) has a path coefficient of 0.11 and a p-value of 0.07, both of which are deemed weakly significant. The dividend policy has a positive and marginally significant moderating effect. This suggests that the capital structure's negative and extremely significant impact on the company's value can be changed to a positive and considerable one by implementing an optimal and consistent dividend policy.
- i) With a path coefficient of -0.09 and a p-value of 0.11, the interaction effect of profitability (Y2) and corporate social responsibility (X3) on the dividend policy (X2) is deemed not significant, and the hypothesis is rejected. The CSR, also known as prospective moderation or homologizer moderation, does not serve as a moderating, predicting, or explanatory variable.
- j) With a path coefficient of 0.21 and a p-value of 0.01 categorized as highly significant, the hypothesis is accepted regarding the interaction effect of the capital structure (X1) and corporate social responsibility (X3) on the firm value (Y3). This suggests that the negative and substantial impact of the capital structure on the firm value can be changed to a positive and considerable effect through the best and most consistent application of CSR.

Inner Model: The Results of Indirect Effect Testing Among Variables

The results of the SEM analysis using the WarpPLS approach for the indirect effects can also be overviewed in Figure 3. in the previous page.

- a) With a path coefficient of 0.03 and a p-value of 0.26, the indirect impact of the capital structure (X1) on the profitability (Y2) via the firm growth (Y1) is deemed not significant. According to the positive path coefficient, the more debt there is in the capital structure, the more profitable the business will be as a result of its expansion, or the indirect relationship between the capital structure and expansion will be positive but not statistically significant. The indirect impact of the capital structure on profitability is not mitigated by the company's growth.
- b) With a path coefficient of 0.09 and a p-value of 0.12, the indirect impact of the capital structure (X1) on the company value (Y3) via the firm growth (Y1) is deemed not significant. According to the positive path coefficient, the capital structure's debt composition directly affects the company's value through growth, or the indirect



relationship between the capital structure and value through growth is positive but not statistically significant. The indirect impact of the capital structure on the company value is not mitigated by the company's expansion.

- c) With a path coefficient of 0.09 and a p-value of 0.12, the indirect impact of the capital structure (X1) on the company value (Y3) through the profitability (Y2) is deemed not significant, and the hypothesis is rejected. The higher the debt composition in the capital structure, the higher the firm value through profitability, or the positive and non-significant indirect effect between the capital structure and the firm value through profitability, according to the positive path coefficient. The indirect impact of the capital structure on the value of the company is not mediated by profitability.
- d) With a path coefficient of -0.03 and a p-value of 0.26, the indirect influence of business growth (Y1) on company value (Y3) through profitability (Y2) is deemed not significant, and the hypothesis is rejected. The more the firm growth, the lower the company value through profitability, according to the negative path coefficient. Through profitability, there is a negative and negligible indirect relationship between business growth and firm value. Profitability is not a mediating factor in the indirect relationship between firm growth and value.
- e) With a p-value of 0.46 and a path coefficient of -0.004, the hypothesis is rejected because the indirect impact of the capital structure (X1) on the company value (Y3) through the firm growth (Y1) and profitability (Y2) is not significant. According to the negative path coefficient, a capital structure with a larger debt composition indirectly lowers the value of the company by affecting its profitability and growth. Through firm growth and profitability, there is a negative and negligible indirect relationship between the capital structure and firm value. The indirect impact of the capital structure on the firm value is not mediated by the company's growth or profitability.

Discussion

The analysis's findings confirm that the capital structure has a negative and highly significant impact on the company's value, a negative and substantial impact on profitability, and a positive and large direct impact on the company's growth. According to the findings, a company's growth is positively correlated with its debt level in the capital structure; however, the converse is true for the company's value and profitability. Particularly for oil palm estate enterprises, the availability of financial resources has been shown to be a determinant of the company's growth. The findings of this study provide credence to the idea put forth by Ehrhardt & Brigham, Eugene (2011), which states that increasing a company's sales calls for increasing operating capital and frequently calls for obtaining outside funding in the form of debt and equity. Hermelo & Vassolo (2007) indicated that a company's access to financial resources has a substantial impact on its growth, and Arasteh & Nourbakhsh (2014) discovered a favorable association between sales growth and financial leverage. The conclusions of this study, however, contradict those of Gill et al. (2011), who concluded that either the capital structure is not determined by the growth opportunities or there is no meaningful correlation between the company's debt and growth opportunities.

The findings also corroborate the findings of Cuong & Canh (2012), who claimed that the capital structure's effect on the company's value would be negative with a decreasing trend



over time as the debt ratio increased as a result of the debt financing; Sinha (2017) confirmed that the debt to equity ratio (DER) had a negative and significant effect on the price to book value ratio (PBV); and Kausar et al. (2014) concluded that the capital structure had a negative and significant impact on the performance of the company. The findings of this study, however, contradict the ideas of Antwi et al. (2012), who discovered that long-term debt has a positive effect on the firm value similar to equity capital, and Koller et al. (2010), who claimed that businesses create values by investing capital at a certain return rate that exceeds the cost of capital.

Additionally, Ashraf et al. (2017) found that long-term debt (Long Term Debt Ratio/LTDR) has a negative and significant relationship with profitability measured using return on assets (ROA) and return on equity (ROE). These findings also support the idea put forth by Brigham & Houston (2009), who claimed that profitability ratios reflect conditions that have occurred in the past and can provide insights into various matters that are actually significant and may occur in the future. Meanwhile, Fawzi Shubita and Maroof Alsawalhah (2012) came to the conclusion that debt and profitability have a substantial and unfavorable relationship. The conclusions of this study contradict those of Nasimi (2016), who showed that capital structure significantly affects company performance, and Salawu & Awolowo (2009), who discovered that a rise in long-term debt caused profitability to decline.

The dividend policy has a favorable and very important moderating influence on the impact of company growth on the value of the company. Raising dividend payments to the ideal level affects stock prices and informs all parties involved, especially investors, that the company has a strong prospectus, signaling, and dividend information content (Miller & Modigliani, 1961). This is consistent with the idea put forth by Koller et al. (2010), who claimed that investing capital at a specific return rate higher than the cost of capital can result in value creation. According to Garnsey (1998), organizations must first access, mobilize, and use resources before they can generate resources for growth, while Hermelo & Vassolo (2007) assert that the availability of financial resources is a factor of the company's growth. It does not, however, support the findings of Ater et al. (2017), who discovered a negative relationship between the valuation of the company and its growth rate.

The indirect impacts of the capital structure on the value of the business are both positive and insignificant in terms of profitability and negative and insignificant in terms of both company growth and profitability. This suggests that the capital structure's indirect impact on the value of the business through profitability increases with the quantity of debt in the capital structure. This lends credence to the idea put out by Broyles (2003) that the costs of debt and equity differ. This, however, contradicts Bukit's (2012) assertion that the relationship between capital structure and business value is fully mediated by profitability. This indicates that the capital structure's use of debt communicates to investors that the funding strategy has the potential to increase business value and profitability. According to Hamidy et al. (2015), the profitability of the company has a larger indirect impact on the value of the company than the direct influence of the capital structure.

There is a strong and positive correlation between the expansion of the business and its profitability. This implies that the profitability of palm estate businesses increases with firm



growth. The results confirm Serrasqueiro et al. (2009) discovered empirical proof of a positive and significant correlation between business growth and profitability. Both Yoo and Kim (2015) confirmed that rapid company expansion results in an increase in profitability in the current time, while Riyadi (2016) found that company growth has a major impact on corporate profitability. The results, however, are somewhat at odds with those of Sanjaya (2019), who discovered that there is no meaningful correlation between sales growth and ROA or net profitability. According to Swastika et al. (2017), business expansion has a negative and substantial impact on profitability.

There is a favorable but not statistically significant direct association between the company's growth and value. This explains why a company's worth increases with its rate of growth. Purwanto & Marsono (2017) found that company growth has a direct positive and significant effect on company performance and firm value, Tingler (2015) found that organic company growth has a better effect on company performance than nonorganic growth, and Olsen et al. (2006) found that the Total Shareholder Return (TSR) analysis uses a combination of sales growth and changes in margins.

Through profitability, there is a negative and insignificant indirect link between firm growth and firm value. The results are consistent with those of Paminto et al. (2016), who discovered that firm value through profitability is negatively and negligibly impacted by company growth. The results, however, contradict Riyadi's (2016) assertion that the indirect impact of business growth on firm value is mediated by profitability. Cho and Pucik (2005) discovered evidence of a strong correlation between firm value and profitability as well as between company growth and firm value.

There is a negative and substantial direct relationship between profitability and corporate value. This suggests that a company's worth decreases as profitability increases. In part, this result confirms According to the pecking order theory, which holds that a company with high income determines the success of its operational performance, Andawasatya et al. (2017) said that a company's steady performance success propels it to have an expanding market value. According to Sabrin et al. (2016), profitability has an impact on firm value since it offers guarantee of dividend payments and a positive mood regarding profit accomplishments. The more profitable a corporation is, the more dividends it will pay out to its shareholders, as demonstrated by Haugen & Baker (1996).

The dividend policy has a favorable and highly substantial moderating effect on the relationship between the company's growth and its valuation. This suggests that the dividend policy either boosts or moderates the impact of the company's growth on its value. The results confirm According to Gul & Kealey (1999), the signaling perspective indicates that superior corporations pledge to pay out higher dividends as a signal to the market. Retained earnings have less of an effect on stock prices than dividends, according to Gordon (1959), while cash dividends per share and firm value are positively and significantly correlated, according to Budagaga (2017). Additionally, there is a strong correlation between firm value and abnormal earnings and book value.



The dividend policy has a positive and marginally significant moderating effect on the capital structure's impact on the company's value. This suggests that the impact of the capital structure on the value of the company is either strengthened or moderated by the dividend policy. The results somewhat corroborate According to Anton (2016), the global financial crisis had an impact on businesses' dividend payout policies as well as their profitability. According to the value of the total debt to total assets ratio, Rehman (2016) discovered that businesses might increase value by employing more debt, but only to a limited extent. Andriema & Atieno (2016) discovered that capital structure significantly affects shareholder value.

CSR has a negative and negligible moderating effect on the relationship between profitability and firm value. This suggests that the impact of profitability on the value of the company is not mitigated by CSR. The results confirm Kurniasari & Warastuti (2015) shown that while CSR has no impact on business value, profitability does. While Gherghina & Simionescu (2015) found that CSR had a positive impact on firm value, Hermawan & Mulyawan (2014) found that the quality of CSR disclosure had no link with the company's financial performance, particularly profitability analysis.

The impact of the capital structure on the value of the company is positively and significantly moderated by the CSR. This suggests that the impact of the capital structure on the value of the company is either strengthened or moderated by CSR. The results confirm Gherghina & Simionescu (2015) found a significant positive relationship between CSR and company performance, El Ghouli et al. (2011) found that companies with higher CSR scores enjoy significantly lower equity costs, and Leonardo et al. (2008) found that CSR is expected to refocus company activities from maximizing shareholder wealth towards the interests of stakeholders.

Conclusion and Suggestion

Conclusion

For oil palm estate businesses, the financial structure has a favorable and noteworthy impact on business growth. The capital structure's ability to provide free cash flow from debt helps to improve the way organic expansion is carried out. In oil palm estate enterprises, the capital structure has a negative and substantial impact on the company's value. Financial risk lowers the value of the company, and the weighted average cost of capital (WACC) rises when a large amount of debt is used in the capital structure to finance business activities.

For oil palm estate firms, the financing structure has a detrimental and substantial impact on profitability. Due to rising interest expenses, using a large amount of debt in the capital structure to fund business operations lowers profitability. Through business expansion, capital structure has a positive and negligible indirect impact on the value of oil palm estate enterprises. Although it is not significant, the use of large debt in the capital structure to finance business activities increases the capital structure's indirect effect on firm value through company growth. Through oil palm estate enterprises' profitability, the capital structure has a positive and negligible indirect impact on company value. Although it is not



significant, the use of high debt in the capital structure to finance business activities increases the capital structure's indirect effect on firm value through profitability.

For oil palm estate firms, the impact of business expansion on profitability is favorable and very important. Even in times of global economic instability, when the CPO selling prices tend to decline, company growth can still have a positive and highly significant impact on profitability because the percentage (%-rate) increase in CPO production tends to be higher than the percentage (%-rate) decrease in CPO selling prices. For oil palm estate enterprises, the impact of company growth on company value is favorable but not statistically significant. Because the assets are not yet productive and the sales growth won't happen until the fourth year, the extremely large gain in asset value during construction does not always translate into an increase in the company's worth. Growth has a negative and negligible indirect impact on firm value through oil palm estate enterprises' profitability. Company growth can have a direct and considerable impact on profitability, while profitability has a negative impact on company value. This means that company growth can have a positive but insignificant indirect effect on company value through profitability.

In oil palm estate firms, profitability has a negative and substantial impact on the company's worth. Global economic instability is characterized by a decline in CPO selling prices, which causes profitability to fall short of investor expectations or to constitute a warning indication for investors. Although oil palm estate enterprises continue to be profitable, their rate of return has decreased along with their profitability.

For oil palm estate enterprises, the dividend policy's moderating influence on the impact of business expansion on company value is favorable and extremely important. In addition to indicating that the insignificant impact of company growth on company value can be mitigated to become significant by steadily increasing dividend payments towards the optimal level, the dividend policy serves as absolute moderation or strengthens the effect of company growth on company value. For oil palm estate enterprises, the dividend policy has a positive and marginally significant moderating influence on the impact of the capital structure on the company value. The dividend policy's moderating function either completely moderates or amplifies the impact of the capital structure on the company's value. It demonstrates that by steadily raising dividend payments to the ideal level, the capital structure's detrimental and extremely significant impact on the company's value can be lessened and eventually become significant.

For oil palm estate enterprises, the moderating role of CSR on the impact of profitability on the company value is negative and insignificant. It might be said that CSR merely homologizes moderation; it neither acts as a moderator nor enhances the impact of profitability on the value of the company. In oil palm estate enterprises, the CSR's moderating effect on the capital structure's impact on the company value is favorable and noteworthy. CSR acts as a moderator or enhances the impact of the capital structure on the value of the company. It can also be said that CSR is a pure moderation, demonstrating that the capital structure's negative and substantial impact on the value of the company can be lessened to become positive and significant when the CSR is consistently carried out to the highest possible level.



Suggestion

In order to improve the sustainable value of their business, oil palm estate companies should have a capital structure that is dominated by equity and use internal funds, such as retained earnings and depreciation, to finance organic growth. They can also follow a pattern that finds the ideal balance between debt and equity. This is a crucial component of success because oil palm estates require a three-year investment phase, with a break-even point in the eighth year and an 8.3-year payback period.

Companies that own oil palm estates should regularly raise dividend payouts to the ideal amount and engage in the best possible CSR initiatives. With the help of this policy, the impact of the capital structure on the company's value is strengthened, and its stability may be controlled. Since it indicates that the business has promising possibilities that will lead to profitability or a high rate of return, investors and potential investors interpret this circumstance as a good indicator.

To lessen the negative effects of very large land use in terms of monoculture (loss of biodiversity), loss of food supplies, and loss of livelihoods for the communities surrounding the enterprise, oil palm estate companies must adhere to the sustainable economy idea. The implementation of corporate social responsibility (CSR) as a component of a sustainable economy must be able to significantly improve the welfare of the stakeholders in the company's immediate neighborhood. Additionally, oil palm estate enterprises will be given more credibility by the community.

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