

Factors Affecting Firm Value In Manufacturing Sector Companies

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Abstract- This study aims to determine whether the value of manufacturing sector companies listed on the Indonesia Stock Exchange in the 2019–2021 period is influenced by company growth, profitability, liquidity, and capital structure. All manufacturing-related companies listed on the Indonesia Stock Exchange (IDX) in 2019 to 2021 constitute the study population. By method purposive sampling was used to select the sample, which includes 40 firms from the period 2019 to 2021. Multiple linear regression is the data analysis method that has been applied. According to the results of the study, company growth has no effect on firm value, profitability has a positive effect on firm value, liquidity has a positive effect on firm value, and capital structure has no effect on firm value.

Index Terms- firm growth, profitability, liquidity, capital structure.

I. INTRODUCTION

Today's business environment is growing increasingly competitive, which encourages companies to continuously innovate and improve their operations to survive the competition and achieve their goals. A business that is unable to grow will incur losses and possibly face bankruptcy, which is a serious situation for any organization. The company's main long-term goal is to increase business value, while the short-term goal is to maximize profits. Firm value is one of the key elements that investors take into account when valuing their investment (Iman, et al., 2021)

Public companies that have been registered on the capital market are required to issue annual financial reports to investors at least once a year. This is important information for investors to understand business developments and serves as a guide for investors when thinking about buying or selling stocks. One of several elements that can be used to gauge a company's value is its stock price. because the company's stock price reflects what investors think about it.

The market price of the company's shares serves as a measure of its worth. (Iman, et al., 2021). The value of a firm can be tracked using its stock prices. A high share price demonstrates the company's worth and the success of its investors. Investors won't think twice about putting money into this welfare-guaranteed company. The stock price of the company is impacted

by how investors respond to the information in the financial statements.

II. LITERATURE REVIEW

Signaling theory emphasizes the importance of making efforts to communicate information about the state of the company that is beneficial to investors. According to Suwardjono, (2014) According to the notion of signaling, management deliberately discloses closed information about the company which is believed to be of great interest to shareholders and investors. In addition, if the news is positive (good news). Information that enhances management's reputation and the company's success is another thing management wants to communicate.

Agency theory Describe the relationship between management (agent) and shareholders (principal). According to Jensen & Meckling, (1976) agency theory describes a relationship in which one or more people (principal) have control over other people (agent) to perform tasks on their behalf and delegate authority to agent to make the best choice for principal.

Firm value is a reflection of the company's performance, which has an influence on how successful the company is perceived by investors. The state of a company can also be described by the value of the company. The more valuable a company is, the better the perception of potential investors towards the company. The company is thought to have a chance for long-term survival when its worth rises sufficiently.

Firm growth is the growth of all assets, which shows the growth of assets during the previous period. The company's growth as a percentage is calculated using the change in assets over a specific time period compared to the prior period. Additionally, it is possible to forecast future growth and profitability using data on asset growth in the past. Growth is the result of operational adjustments brought about by expansion and a decline in business volume. (Tumangkeng & Mildawati, 2018).

Profitability is the business' capacity to make money (Wijaya & Sedana, 2015). By examining profitability, shareholders can ascertain the company's ability to make money through sales and investments. Profitability is one indicator of how well business operations are going. With rising corporate profitability, the level of the company's capacity to make a profit rises.

Likuidity describes a company's capacity to buy and sell its assets on a large scale without experiencing large price changes to meet its obligations. How quickly a corporation can buy, sell, and exchange assets without experiencing price adjustments or a drop in asset value, according to Adiputra & Hermawan, (2020), can be used to measure its liquidity. Through liquidity, prospective investors can assess the company's capacity to fulfill immediate obligations. The amount of liquidity can raise the company's worth, which will influence whether or not potential investors decide to invest. The price of a company's shares rises as the number of investors does.

Capital structure a picture of the comparison of the use of debt and capital. Prospective investors can use the capital structure as a basis for investing in companies because this variable provides an overview of own capital, total debt, and total assets, potential investors and investors can use all three to determine the level of risk, rate of return (return), and total income (revenue) that the company will accept. (Novitasari & Krisnando, 2021).

Relation Between Variables

Company Growth with Company Value. External parties see high company growth as a favorable signal, and high company growth gives a good impression to potential investors. The company's expansion shows good value, which encourages potential investors to invest their funds into the business. When investors spend more money in company stock, the share price will rise. This will have an impact on the value of the company which will rise along with rising stock prices.

Profitability with Corporate Value. The ability of corporations to generate profits is profitability (Wijaya & Sedana, 2015). The company's performance increases with the profitability ratio. Potential investors are more interested in companies with high profitability ratios because the higher the profit the company generates, the higher the profit investors can get.

Likuidity with Company Value. A company's liquidity can be determined by how easy it is to meet short-term obligations, buy and sell assets quickly, and do so without experiencing price changes or a decline in asset value (Adiputra & Hermawan, 2020). Liquidity is the company's ability to meet the company's short-term obligations using the company's assets. Assets that are easy to sell for cash are said liquid, or it can be called liquidity.

Capital Structure with Firm Value. Firm value will be affected by the increase in capital. The value of the corporation increases in proportion to its capital or debt. Investors will benefit in the long run from a successful business expansion. The company will need significant financial support for its growth, which means it will also need funding from third sources. The company's share price will rise as capital increases.

Hypothesis Development

Total asset growth, which reflects past asset growth, serves as a measure of a company's growth. One of the factors considered by potential investors when determining an investment is the growth of total assets. The company's rapid growth is one of the signals that the company can generate profits, which can increase the value of the company. The rapid growth of a company indicates that it can benefit investors, which will attract more potential investors to invest their money in the company. Based on the description above, the hypothesis that can be formed is:

Ha₁: Company growth has a positive effect on firm value.

The company's ability to generate profits is profitability. Because a high level of profitability is considered capable of producing a high level of well-being, a high profitability ratio can increase the interest of potential investors to invest their funds. A high profitability ratio indicates that investors will also earn large income. Potential investors may be interested in this because the greater the profitability ratio, the greater the profit. Companies with high profitability ratios have no difficulty paying dividends to investors. Based on the description above, the hypotheses that can be built are:

Ha₂: Profitability has a positive effect on firm value.

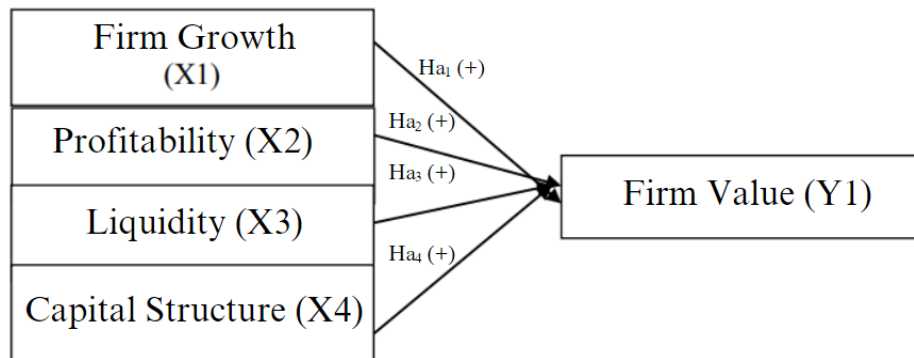
The ability of a business to pay its short term debt is known as liquidity. A high liquidity ratio is an indication of strong corporate performance within a company. Companies with high levels of liquidity often have liquid assets that can be easily converted into cash. This shows that the business can finance its operations, pay short-term debt, and pay out dividends to investors. This organization is able to attract investors to invest their funds because of its strong liquidity ratio. Investor interest in placing capital into a company can increase the more liquid the company is. Based on the description above, the hypothesis that can be formed is:

Ha₃: Liquidity has a positive effect on firm value.

Capital structure is the allocation of capital and long-term debt by a company to finance operations. Investors can measure a company's performance by looking at its capital structure, which shows how money and debt are used to fund its operating activities. Potential investors can determine whether the company uses capital or debt to fund its operations. A high capital structure for a business is a sign of increasing company value. For business development, the company will need additional funds from outside sources which will increase the share price. Based on the description above, the hypotheses that can be built are:

Ha₄: Capital structure has a positive effect on firm value.

Based on the hypothesis above, the research model that can be formed is as follows:



Picture 1

Research Model

III. METHODOLOGY

Manufacturing companies that have gone public as well as publishing annual financial reports for the 2019–2021 period and listed on the Indonesia Stock Exchange (IDX). These are the populations that are the object of research discussed in this study. Non-probability sampling with purposive sampling is the sampling method used in this study. By sampling non-probability, there is no equal opportunity for each population to be selected as a sample. The sampling technique with certain criteria is called purposive sampling. The following are some of the criteria that were determined when selecting the sample: 1.) Manufacturing

companies listed on the Indonesia Stock Exchange during the 2019-2021 period. 2.) Manufacturing companies that did not carry out an IPO during the 2019-2021 period. 3.) Manufacturing companies that did not experience delisting or relisting during the 2019-2021 period. 4.) Manufacturing companies that publish financial reports in Rupiah. 5.) Manufacturing companies that have not moved sectors and subsectors during the 2019-2021 period. 6.) Manufacturing companies that have complete financial statements for the 2019-2021 period. 7.) Profitable manufacturing company during the 2019-2021 period. These criteria are fulfilled by the sample data which totals 36 companies. Operational variables and their measurements used in this study are:

Table 1
Operational and Measurement Variables

No.	Variabel	Equation	Skala
1.	Firm Value (Tobin's Q)	$Q = \frac{MVE+D}{Total Asset}$	Ratio
2.	Firm Growth (Growth)	$Growth = \frac{Total Aktiva (t) - Total Aktiva (t-1)}{Total Aktiva (t-1)}$	Ratio
3.	Profitability (ROE)	$ROE = \frac{Net Income}{Total Equity}$	Ratio
4.	Liquidity (CR)	$CR = \frac{Current Asset}{Current Liabilities}$	Ratio
5.	Capital Structure (DER)	$DER = \frac{Total Liabilities}{Total Equity}$	Ratio

Tests in this study include descriptive statistical tests, classical assumption tests, multiple linear regression analysis tests,

multiple determination coefficient tests, F statistical tests, and t statistical tests.

IV. RESULT

The following are the results of the descriptive statistical analysis in this study.

Table 2
Descriptive Statistical Test Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
TOBIN'S Q	108	.3633	1.7445	.884308	.2752694
GROWTH	108	-.3078	.6958	.072965	.1385036
ROE	108	.0001	.2740	.082273	.0557107
CR	108	.0048	1.1431	.558778	.3010110
DER	108	.2828	14.8656	2.684862	2.8610819
Valid N (listwise)	108				

The results of processing 108 data from 2019 to 2021 through SPSS software version 26. According to the descriptive statistical test results above, it can be seen that the minimum value of company value is 0.3633, and the maximum value is 1.7445. The average value of the company is 0.884308 while the standard deviation is 0.2752694.

The classic assumption test results that have been tested in this study are the normality test, 0.200 models can be declared to

pass the normality test, then the multicollinearity test results show that the model is free from multicollinearity problems, the autocorrelation test results of 2.086 can be stated that the model does not experience autocorrelation symptoms, and heteroscedasticity test, the overall value of the model is more than 0.05, the model can be declared free from symptoms of heteroscedasticity.

Table 3
Linear Regression Test Results
Coefficients^a

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients Beta		
1	(Constant)	.371	.100		3.710	.000
	GROWTH	.083	.132	.042	.632	.529
	ROE	3.479	.363	.704	9.598	.000
	CR	.410	.103	.448	3.976	.000
	DER	-.003	.011	-.030	-.271	.787

a. Dependent Variable: TOBIN'S Q

The test results in table 2 can form a multiple linear regression equation. The use of multiple linear regression is intended as a test of the effect of company growth, profitability, liquidity, and capital structure on firm value. The regression equation obtained in this study is:

$$Q = 0.371 + 0.083 \text{ GROWTH} + 3.479 \text{ ROE} + 0.410 \text{ CR} - 0.003 \text{ DER} + \epsilon$$

Based on the test results above, it is obtained that the influence of company growth on Tobin's q has a value (0.632 < 1.983) and a significance value of 0.529 (greater than 0.05). This indicates that Tobin's q has no partial effect on the company's growth, a manufacturing company listed on the Indonesia Stock Exchange.

Based on the test results mentioned above, the effect of profitability on Tobin's q has a value (9.598 > 1.983) and a significance value of 0.000 (lower than 0.05). This indicates that Tobin's q has a partial effect on the profitability of manufacturing companies listed on the Indonesia Stock Exchange.

Based on the test results above, the effect of liquidity on Tobin's q has a value (3.976 > 1.983) and a significance

value of 0.000 (lower than 0.05). This indicates that Tobin's q has a partial effect on the profitability of manufacturing companies listed on the Indonesia Stock Exchange.

Based on the test results above, it is obtained that the effect of capital structure on Tobin's q has a value (-0.030 < 1.983) and a significance value of 0.787 (greater than 0.05). This shows that Tobin's q has no partial effect on the capital structure of manufacturing companies listed on the Indonesia Stock Exchange.

V. DISCUSSION

The results of research on how company value, manufacturing companies listed on the Indonesia Stock Exchange are not affected by company growth. The company needs more funds to manage its daily operations, affected by the company's fast growth. When a company allocates its financial resources, it is assumed that the company will place its expansion needs above the interests of its shareholders. The value of the company

decreases along with the decrease in investor distrust of the company.

The results of research on how the value of the company, manufacturing companies listed on the Indonesia Stock Exchange are affected by profitability. Profitability will directly affect the value of the company as indicated by the market price of its shares and will increase investor interest in investing their funds. The value of the company increases along with the increase in the company's stock price.

The results of research on how the value of the company, manufacturing companies listed on the Indonesia Stock Exchange are affected by liquidity. Companies that have high liquidity are companies that can pay their bills on time. If a company has a high level of liquidity, it means that the company's assets are liquid and will not go bankrupt due to its inability to pay its short-term debt. This can attract investors to buy shares in the company, high liquidity encourages increased demand for these shares.

The results of research on how the value of the company, manufacturing companies listed on the Indonesia Stock Exchange are not affected by the capital structure. High capital structure can cause a decrease in company value. Because companies use long-term debt as a source of funding. However, if the company continues to depend on long-term debt for financing, then the company risks not being able to fulfill its obligations including interest. As a result, using debt in a way that is not profitable will have a negative impact on the business and reduce the value of the company.

VI. CONSLUSION AND RECOMMENDATION

This research is not without limitations, 1.) this research only examines three years from 2019 to 2021. 2.) this research only examines the manufacturing sector. 3.) This research merely examines four independent variables, including the variables of company growth, profitability, liquidity, and capital structure.

Suggestions for further research, 1.) further research can add years of research. 2.) further research can expand the research sector. 3.) further research can add research variables.

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