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The Influence on The Market Value of Manufacturing Businesses Listed on The Indonesia Stock Exchange of Factors Such as The Capital Structure, The Financial Performance, and the Size of The Companies

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Abstract— The perception that investors have of a company's degree of performance is what constitutes firm value. Firm value is frequently related to stock prices. The intense level of competition that exists in the business sector serves as a powerful motivator for the management of companies to extract the most amount of value possible from the organizations they oversee. The purpose of this study is to investigate the factors that influence the value of manufacturing businesses that are listed on the Indonesia Stock Exchange. These factors include capital structure, company financial performance, company size, and the quality of external auditors. With a follow-up period spanning 2018–2022, the population for this study consists of all manufacturing enterprises that are listed on the Indonesia Stock Exchange. In this particular investigation, a strategy known as purposive sampling was utilized, and 35 different businesses were chosen. Technique for analyzing data that makes use of multiple linear regression analysis.

Indexed Terms—The Value of The Company, Capital Structure, Company Financial Performance, And Company Size.

I. INTRODUCTION

Starting a company does have clear goals. There are several views regarding company goals, and one of them is to achieve maximum profit or maximum profit. This approach emphasizes the importance of companies to generate high profits in order to increase the welfare and sustainability of the company (Agoes, 2012). In this view, the company's goals are identified with achieving optimal profit levels. However, there are other opinions which state that the company's goal should be the prosperity of the owners or shareholders of the company. Owners or shareholders have a significant interest in the company, because they invest and have an ownership interest in the company. According to Analisis (2011), explains that the company's goal is to maximize the value of the company which is reflected in its share price, where the value of the company is measured through market valuation which is reflected in the company's stock price. The company's goal is to increase the value of shares and create long-term profits for the owners or shareholders of the company. Even though there are differences of opinion regarding the company's goals, actually the three views have similarities (Ardiana, 2014). They all try to achieve financial success for the company and its owners. The company's goal in general is to create long-term sustainability and growth by increasing financial performance and corporate value. It is important for companies to have clear goals and be consistent with espoused values.

In Indonesia, many companies sell their shares on the capital market or go public. Intense competition in the business world encourages company management to show maximum value to the companies they lead. Good or bad company value will affect the company's market value and investors' decisions in investing (Azis, 2015). According to Brigham (2019), company value is very important because it reflects the company's performance which affects investors' perceptions of the company. In addition, firm value is also related to stock prices and investors' perceptions of the level of success of the company. High stock prices reflect high company value. High corporate value makes the market believe in the company's current performance and the company's future prospects. Therefore, Information regarding stock valuation is very important for investors. In this case, the PBV (price-to-book value) ratio is used as an approach to assessing company value. The PBV ratio is the ratio between the stock price and the book value per share. A high PBV will increase market confidence in the company's prospects and shareholder wealth (Hanafi, 2018).

Capital structure theory explains that the company's financing policy in determining the capital structure aims to optimize company value (Brigham, 2019). In this study, capital structure is measured using the DER ratio (debt to equity ratio). Previous studies have shown that capital structure has a positive and significant effect on firm value. Increased debt gives a positive signal to investors and increases company value, company value growth is also influenced by the company's financial performance (Dewata, 2015). Evaluation of financial results is a complex issue related to the efficient use of capital and the efficiency of company activities that have an impact on company value. Analysis of financial statements, including the level of company profitability, important in measuring the company's financial performance. Previous research has shown that a company's financial performance has a positive and significant impact on company value (Azis, 2015).

Company size also affects the value of the company. The larger the size of the company, the easier it is for the company to get funding sources. Company size is measured based on the number of assets owned. Previous studies have shown that firm size has an effect on firm value. However, there are differences in research results. Company size is a scale to determine the size of a company (pardiyanto, 2016). Meanwhile, according to Meythi (2012), company size is a scale where company size can be classified according to various criteria including: total assets, journal size, market value and others. The size of a company affects its value in various ways. In this case, the size of the company can be seen from the total assets owned by the company that can be used for company activities. If the company has large total assets, management is more flexible in using existing company assets. A large number of assets will reduce the value of the company, if evaluated by the owner of the company, but when viewed from a management perspective, the ease of controlling a company will increase its value (Rasaningrum, 2016).

According to the results of Hardian's research (2016) the size of a company will also affect the value of the company, where the larger the size of the company, the easier it is for the company to get funding sources. Company size is measured based on the number of assets owned. Previous studies have shown that firm size has an effect on firm value. However, there are differences in research results regarding the relationship between firm size and firm value. Several studies have found a positive relationship between firm size and firm value, meaning that the larger the firm size, the higher the firm value. However, there is also research showing that the relationship between firm size and firm value is not significant (Ikbal, 2012). It means, Firm size is not always a determining factor in determining firm value. Other factors, such as operational efficiency, effective management, product differentiation and competitive advantage, can also affect company value. Several studies have even found a negative relationship between firm size and firm value. This means that the larger the size of the company, the lower the value of the company. This study highlights that growth that is too fast or uncontrolled can result in reduced efficiency, excessive organizational complexity, increased bureaucracy, and challenges in resource management so that this can hinder value creation and reduce company competitiveness (Fau, 2015).

According to Handoko (2013), apart from the factors that have been mentioned, there are also other factors that can affect company value, such as market conditions, macroeconomic factors, the industry in which the company operates, and internal company factors such as effective management, innovation , and company reputation. All of these factors can interact and influence each other in shaping the value of the company. In managing the company, management needs to pay attention to the factors that affect the value of the company and try to optimize it (Hargiansyah, 2015). For example, management needs to maintain the company's financial performance by ensuring a good level of profitability, managing the capital structure wisely, and paying attention to the efficient use of capital and the company's operational activities.

According to Hanafi (2018) in the context of the capital market, investors will tend to invest in companies that have high value, because this is important for companies to continue to increase corporate value by maintaining good financial performance, strengthening positions in the market, and innovating to meet customer needs and expectations. Thus, the value of the company can be a determining factor in the attractiveness of the company for investors and the long-term growth of the company. In carrying out business activities, companies also need to pay attention to sustainability aspects. Corporate sustainability does not only involve environmental aspects, but also social aspects and good corporate governance (Kasmir, 2015). Companies that are able to manage sustainability well have the potential to create long-term value for the company and society. The company's value reflects the company's financial performance, reputation and future prospects. There are various factors that can affect company value, such as capital structure, financial performance, company size, market conditions, and company internal factors. Company management needs to pay attention to these factors and seek to optimize company value in order to attract investors and achieve long-term growth (Harjito, 2012)..

II. METHOD

This study uses a quantitative research method, according to Sugiyono (2019) a quantitative research method is a research approach that uses data that can be measured numerically to answer research questions. This method involves systematic steps, starting from formulating research problems, designing research designs, collecting data, analyzing data using statistical methods, interpreting results, to compiling research reports. Sugiyono also emphasized the importance of using a representative sample and controlling confounding variables to ensure the reliability of the research results. This quantitative research method allows researchers to test hypotheses and identify relationships between variables objectively.

The dependent variable in this study is firm value (Y). The value of a company can be seen by comparing the market price per share with the book value per share. Firm value in this study is measured by book value (PBV). Price Book Value (PBV) according to Hanafi (2018) is the ratio used to evaluate a company's stock price compared to its book value per share. PBV is obtained by dividing the company's stock price by the book value per share. Book value per share is the total value of the company's net assets divided by the number of outstanding shares. PBV reflects the number of times investors pay the company's stock price compared to the company's actual book value, following the PBV formula:

$$\text{PBV}=\frac{\text{Market price per share}}{\text{Book value per share}}$$

Then the book value per share can be formulated as follows:

$$\text{Book value per share} =\frac{\text{Total Equity}}{\text{number of outstanding shares}}$$

The independent variables in this study are capital structure, company financial performance, and company size. Capital structure (X1) is the ratio of the company's total debt to the company's total capital. Debt to equity ratio (DER) is a ratio that measures the ratio of a company's total debt to its capital (equity). DER can be formulated as follows (Subramanyam, 2017):

$$\text{DER}=\frac{\text{Total Debt}}{\text{Total Equity}}$$

Financial performance (X2) of a company is the ability of a company to generate profits from assets used for company activities. ROA is a ratio that compares profit after tax to total assets. Profit after tax is the net profit earned by the company after deducting income tax expense. ROA can be formulated as follows (Subramanyam, 2017):

$$\text{ROA} =\frac{\text{Profit after tax}}{\text{Total Assets}} \text{ x } 100\%$$

Company size (X3) is a scale that can describe the size of a company and can be measured by the total assets owned by the company. In this study, company size is measured by total assets. Company size can be formulated using the following size formula (Subramanyam, 2017):

Size = Total Assets

In this study, researchers used descriptive statistical analysis which aims to obtain an overview of all the variables used in this study by looking at the descriptive statistics table which shows the average measurement results (means), minimum and maximum values, and standard deviation of all variables. variable (Sugiyono, 2019). This study uses multiple regression analysis tools and therefore uses several classic guess tests as a requirement for the accuracy of the multiple regression model, including:

a) Normality Test
b) Multicollinearity Test
c) Heteroscedasticity Test
d) Autocorrelation Test

This study uses multiple linear regression analysis because in this study there are more than two independent variables (Kasmir, 2015). Multiple linear regression analysis is used to determine the relationship and degree of influence of the independent variable on the dependent variable.

III. RESULTS AND DISCUSSION

Results of Data Analysis

Table 1. Descriptive statistics

Descriptive Statistics

	N	Minimum	Maximum	Means	std. Deviation
PBV	132	,23	48,24	5.3234	8.72937
DER	132	, 12	8.76	,8324	,96572
ROA	132	, 17	31.68	14.1275	9.39604
SIZE	132	25267886 9039,00	2434350467300 30.00	23811064054228,3476	35414278737610,680 00
Valid (listwise)	132				

Source: processed data, 2023.

From the table above, we can interpret some of the information as follows:

a) Firm value (PBV), the average value of the company represented by the Price Book Value (PBV) is 5.3234. The standard deviation of 8.72973 indicates a fairly high level of variation in the data. The range of the minimum and maximum values is 0.23 to 48.24, which indicates a significant variation in the observed firm values.
b) Capital Structure (DER), the Average Debt to Equity Ratio (DER), which is used to measure a company's capital structure, is 0.8324. The minimum and maximum value range is 0.12 to 8.76. This shows significant variation in the use of debt and equity by companies in financing their operations.
c) Financial Performance (ROA), Average Return on Assets (ROA), which is used to measure a company's financial performance, is 14.1275. The minimum and maximum value range is 0.17 to 31.68. This shows the variation in the efficiency of the use of assets by companies to generate profits.
d) Company Size (Size), The average company size, as measured by the variable "size," is 23811064054228.3476. The minimum and maximum value ranges are 252678869039 to 243435046730030. This indicates the variation in firm size observed in this study.

Based on the results of multiple linear regression analysis, the following multiple linear regression equations can be obtained:

$Y = 5.764 + 3.217X1 + 0.652X2 + 2.334E\text{-}025X3 + e$

Information:

Y	= The value of the company
X_1	= Capital structure
X_2	= Company's financial performance
X_3	= Firm size
α	= Constant
$\beta 1\ \beta 2\ \beta 3\ \beta 4$	= Coefficient
e	= error

Table 2. Determination Coefficient Test

Model	R	R Square	Adjusted R Square	std. Error of the Estimate
1	,813a	,661	,721	1.41215
a. Predictors: (Constant), KA, DER, SIZE, ROA b. Dependent Variable: PBV				

Source: processed data, 2023

Based on the test results for the coefficient of determination, the adjusted R2 value is 0.721 or 72.1%, which means that the variable firm value proxied by PBV can be explained by the variables DER, ROA, and SIZE, and the remaining 28.9% is explained by other variables not included in the regression model in this study.

Table 3. Model Feasibility Test (F Test)
Anovaa

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	6423,764	5	2134,739	23,328	,000b
Residual	4341,548	118	42,702		
Total	9729,397	123			
a. Dependent Variable: PBV					
b. Predictors: (Constant), DER, SIZE, ROA					

Source: processed data, 2023

Based on the table, a probability value of 0.000 is obtained. This figure is less than the 0.05 significance level (0.000 <0.05). Thus it can be concluded that this regression model can be used to test the variables DER, ROA, and SIZE.

Model	Unstandarized B	Coefficients std. Error	Standardized Coefficients Betas	t	Sig.
(Constant)	5,764	1,452		5,214	,000
DER	3,217	,364	,254	3,265	,004
ROA	0.652	.023	,562	8,436	,000
SIZE	2.334E-025	,003	,656	2,907	,013
a. Dependent Variable: PBV					

Source: processed data, 2023

Based on the SPSS output, it can be seen from the regression coefficient value for the DER variable of 3.217 with a significance value of 0.000 which is less than 0.05 indicating that DER has a positive and significant effect on PBV. Based on the results of this study, the first hypothesis (H1) is accepted and H0 is rejected. This means that the capital structure has a positive and significant effect on the value of the company. This shows that the capital structure has a positive and significant effect on firm value in manufacturing companies listed on the Indonesia Stock Exchange. This means that every increase in debt as a source of corporate funding by 1% will affect the increase in company value by 287.2%. Thus the first hypothesis is accepted.

Based on the SPSS output, the regression coefficient value for the ROA variable is 0.768 with a significance value of 0.000 which is less than 0.05, indicating a positive and significant effect between ROA on PBV. The regression coefficient value of 3.217 indicates a positive direction, this value means that if the ROA of manufacturing companies listed on the IDX increases by 1%, the PBV will also increase by 65.2%. Based on the results of this study, the second hypothesis (H2) is accepted and H0 is rejected. This shows that the company's financial performance has a positive and significant effect on firm value in manufacturing companies listed on the Indonesia Stock Exchange. This means that every 1% increase in the company's financial performance will affect the increase in company value by 65.2%. Thus the second hypothesis is accepted.

Based on the results of the SPSS output given, it can be interpreted that the regression coefficient for the variable Size has a value of 2.334E-025 with a significance value of 2.907, which is smaller than 0.05. This shows that the variable Size has a positive and significant influence on PBV (Price Book Value). Based on the results of this study, the third hypothesis (H3) can be accepted, while H0 (null hypothesis) is rejected. The results of the study found that firm size (Size) has a significant effect on firm value (PBV). With a significant positive regression coefficient, it can be concluded that the larger the firm size, the higher the firm value which is reflected in the PBV.

CONCLUSION

Based on the results of the tests and discussions that have been described in the previous paragraph, several conclusions can be made as follows:

a) The variable DER (debt to equity ratio) has a regression coefficient of 3.217 with a significance value of 0.000 which is less than 0.05. This shows that DER has a positive and significant effect on

PBV (Price Book Value). The first hypothesis (H1) is accepted, and H0 is rejected. Thus, the capital structure has a positive and significant influence on firm value. In the context of manufacturing companies listed on the Indonesia Stock Exchange, every 1% increase in debt as a source of corporate funding will have an impact on increasing company value by 287.2%.

b) The variable ROA (return on assets) has a regression coefficient of 0.768 with a significance value of 0.000 which is less than 0.05. This shows that there is a positive and significant influence between ROA and PBV. The regression coefficient of 0.768 indicates that every 1% increase in the ROA of manufacturing companies listed on the Indonesia Stock Exchange will have an impact on an increase in PBV of 65.2%. The second hypothesis (H2) is accepted, and H0 is rejected. These results support the signaling theory which states that an increase in company earnings is a signal that the company has good prospects in the future.

c) variable Size has a regression coefficient of 2.334E-025 with a significance value of 2.907 which is less than 0.05. Variable Size has a positive and significant effect on PBV. The third hypothesis (H3) is accepted, and H0 is rejected. The results of this study indicate that firm size has a significant influence on firm value as reflected in PBV. With a significant positive regression coefficient, it can be concluded that the larger the firm size, the higher the firm value. These results support the view that firm size has an important relationship in determining firm value.

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