International Journal of Latest Research in Humanities and Social Science (IJLRHSS)
Volume 06 - Issue 02, 2023
www.ijlrhss.com || PP. 38-43

Effect of Capital Structure, Profitability, Asset Structure, and Company Growth on Company Value during the Pandemic

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Abstract: This study aims to examine the effect of capital structure, profitability, asset structure, and company growth on the value of companies in the goods and consumption industry listed on the Indonesia Stock Exchange (IDX) in 2020-2021. The company's value is proxied by the price book value (PBV). This test was carried out by 67 companies using the purposive sampling method. The analytical tool used is Multiple Linear Regression with the results of the research to be obtained, namely, capital structure has a significant effect on company value, profitability has a significant effect on company value, asset structure has a significant effect on company value, and company growth does not have a significant effect on company value.
Keywords: asset structure, capital structure, company growth,company value, profitability

1. Introduction

Financial statements are the most important instrument in the company's activities in which there is corporate accounting information in an accounting period and reflect the financial condition at that time. Financial statements in a company are very important because they can be a benchmark for a company in making decisions and financial statements can be a management responsibility for the performance of a company during the accounting period so that it is easy to assess future opportunities.

Company value is a price that can be sold at an agreed price that will be paid by the buyer. For this reason, the value of the company in the eyes of investors and creditors is very important to know. The value of the company will give a positive signal in the eyes of investors to invest in a company, while for creditors the value of the company reflects the company's ability to pay its debts so that the creditor does not feel worried about giving a loan to the company. Profitability is the main attraction for company owners (shareholders) because profitability is the result obtained through management efforts on the funds invested by shareholders and also reflects the distribution of profits to which they are entitled, namely how much is reinvested and how much is paid as cash dividends or stock dividends to them. This ratio also gives a measure of the level of effectiveness of the management of an enterprise. It is indicated by the profit generated from sales and investment income. The goal is to see the development of the company in a certain period of time, either decreasing or increasing while looking for the cause of the change (Hamidy Rusdi, et al, 2015).

The asset structure describes the comparison between fixed assets and the total assets owned by the company. Companies with a large composition of fixed assets have easy access to external sources of funds (debt). Companies that have a greater value of fixed assets have adequate loan guarantees so they tend to have large debts. This means that the larger the asset structure, the company's capital structure derived from debt will increase. If the company experiences insolvency in full filling its obligation to pay the loan, then the fixed assets owned can be used as collateral or sold to be converted into cash.

According to Machfoedz (1996) in Junita (2014), growth is how far a company places itself in the overall economic system or economic system for the same industry. The company's growth according to Hasan et.al (2014) in Hamidah (2017), is sales or revenue growth as measured by changes in sales every year. Thus, the greater the increase in sales of a company every year, the greater the growth that occurs in a company.

According to Martono and Harjito (2005), capital structure is a comparison or balance of a company's long-term funding which is analogous to the comparison of long-term debt to its own capital. If the company's funding derived from its own capital experiences a shortfall (deficit), it is necessary to consider funding that comes from outside the company, namely from debt (debt financing). In meeting funding needs, companies must look for efficient funding alternatives. Efficient funding will occur if the company has an optimal capital structure. Capital structure is an important issue for the company because the good and bad of the capital structure will have direct effects on the company's financial position which will ultimately affect the value of the company. Errors in determining the capital structure will have a broad impact, especially if the company is too large in using debt, then the fixed burden that must be borne by the company is even greater.

2. Literature Review and Hypothesis

Company Growth

Company growth, namely growth, can be shown from changes in assets owned by the company, so that if the assets owned by the company increase, it is one that is expected by parties who have internal company interests from the management and external parties of the company from investors and creditors. The growth of the company can be influenced by capital from external to the company. Several factors can affect the growth of a company in a company that can be seen from the assets owned (Prasetyo, 2011) as follows: (1) sales volume; (2) company assets; (3) the company's net profit.

Company Values

Company value is a price that can be sold at an agreed price that will be paid by the buyer. For this reason, the value of the company in the eyes of investors and creditors is very important to know. The value of the company will give a positive signal in the eyes of investors to invest in a company, while for creditors the value of the company reflects the company's ability to pay its debts so that the creditor does not feel worried about providing loans to the company.

Capital Structure

Capital structure is the long-term spending of a company as measured by the comparison of long-term debt with its own capital (Sudana, 2015). In determining the optimal capital structure, the calculated sources of financing are permanent short-term debt financing, long-term debt, and own capital. Short-term debt that is seasonal in nature is not taken into account because the source of financing is generally only temporary. The measurement used for the capital structure isthe Debt to Equity Ratio (DER). Trade-off theory explains that the increase in the value of the company is due to the position of the capital structure being below the optimal point and the addition of debt. On the contrary, the decline in the value of the company is caused by the position of the capital structure above the optimal point. Therefore, if the target point of the optimal capital structure has not been met, then based on the trade-off theory, it predicts a positive relationship to the value of the company. (Hamidy, 2014). Supported by research from Hamidy, R, et al 2015, Mirza Chayani and Khuzaini (2016), I Gede Gora Pratama and Ni Gusti Putu (2016) stated that the Capital Structure affects the Value of the Company.
H1: Capital Structure has a significant effect on Company Value

Profitability

Profitability is the ability of an enterprise to make a profit or profit (Kasmir, 2014). With the increase in profitability, the company's earnings per share will also increase. This will increase the value of the company. (Mirza Chayatun, 2016). Signaling theory explains that investors will increase demand for shares if the company's profitability increases, and on the other hand also increase the value of the company. Supported by research from Hamidy, R, et al 2015, Mirza Chayani and Khuzaini (2016), I Gede Gora Pratama and Ni Gusti Putu (2016) stated that Profitability affects Company Value.
H2: Profitability has a significant effect on Company Value

Asset Structure

The structure of assets determines the value of the company to a high extent. Most companies with stable finances have a high investment value in terms of fixed assets. When these assets are optimally utilized by competent staff, this will increase the company's returns and ultimately affect the growth of the company's value. Companies with higher fixed assets have a higher value than companies with lower fixed assets. This happens because fixed assets become collateral for the company when the company borrows funds for investments. If the asset structure increases, the value of the company will also increase. Asset structure is a ratio that describes the proportion of fixed assets owned by a company to the total assets of the company. Assets consist of current assets, fixed assets as well as investments. According to Manoppo et al. (2018), asset structure is the ratio between fixed assets and total assets. The size of fixed assets can affect the amount of use of debt. Companies that have a larger composition of fixed assets, on the use of debt can be larger in funding their investments compared to companies whose composition of fixed assets is smaller. This research is in line with research by Pribadi (2018) which states that asset structure affects the value of the company. However, this is contrary to the research conducted by Oktafianti et al. (2020) which states that the structure of assets has no effect on the value of the company.
H3: Asset Structure has a significant effect on Company Value

Company Growth

Company growth is a change in the increase or decrease in the company's total assets which indicates that

the company is developing or not. The growth of the company can also be said to be an indicator of the profitability and success of the enterprise. The growth of the company can be influenced by capital from external to the company. Several factors that can affect the growth of a company in a company that can be seen from the assets owned (Prasetyo, 2011) as follows: (1) sales volume; (2) company assets; (3) the company's net profit. Investors and the market will respond well if they obtain information related to the company's growth through an increase in the total assets of a company. So this can increase the stock price and value of the company. The results of research conducted by Noerirawan and Muid (2012) stated that the company's growth had a significant positive effect on the company's value. Different results from Fau (2015) show that the company's growth has no effect on its value of the company. Based on this thought, the following hypothesis was developed:
H4: The Company's growth has a significant effect on the Company's Value.

3. Methodology

The type of data in this studyis secondary dataon manufacturing companies in the goods and consumption industry sector listed on the Indonesia Stock Exchange (IDX) during the 2020-2021 period. This study used the method of multiple linear regression analysis. The sampling technique in this study used purposive sampling technique. The total sample for the study was 67 companies.

The sample determination criteria in this study are 1) Manufacturing companies in the goods and consumption industry sector listed on the Indonesia Stock Exchange (IDX) during the 2020-2021 period; 2) Companies that present complete annual financial statements on thecompany's website or website IDX during the period 2020-2021 which is stated in rupiah (Rp), the use of rupiah currency because in converting dollars into rupiah can only be according to the current exchange rate so that it is less effective and does not describe the company's real financial condition; 3) Companies that publish complete annual financial statements in accordance with and the variables required in the study; 4) Companies that do not experience losses during the period 2020-2021.This condition is set because to find out the value of return on assets (ROA) the company must be in a profit condition; 5) Available share price; 6) Manufacturing companies that do not have negative equity, because in debt to equity ratio (DER) proxies cannot be interpreted if their equity is negative.

This study used the following measurements for each variable:

Table 1 Variable Measurement

Variable	Indicators	Source
Company Value (Y)	$\text{PBV} = \frac{\text{Price per share}}{\text{Book value of equity per share}}$	Fischer, 2007
Capital Structure (X1)	$\text{DER} = \frac{\text{Amount of Debt}}{\text{ModalAmount of Equity}}$	Setiadharma & Machali, 2017
Profitability (X2)	$\text{ROA} = \frac{\text{Net Profit}}{\text{Total Asset}}$	Rafifatul &Yuliastutu, 2020
Asset Structure (X3)	$\text{Asset Structure} = \frac{\text{Amount of fixed asset}}{\text{Total Asset}}$	Setiadharma & Machali, 2017
Company Growth (X4)	$\text{Growth Ratio} = \frac{\text{Total aset t} - \text{Total aset t}-1}{\text{Total aset t}-1}$	Rafifatul &Yuliastutu, 2020

Data Analysis Techniques

In this study hypothesis testing used multiple linear regression analysis. This analysis is a regression model involving more than one free variable. Multiple linear regression analysis is used because it is maximal to find out the direction and how much influence the free (independent) variables have on the bound (dependent) variables. The feasibility of the regression model is determined based on the results of the model feasibility test (Test F) and the coefficient of determination using the (R^2) test. The equations of the regression model in this study are:

$$Y = \beta 0 + \beta 1\ X1 + \beta 2\ X2 + \beta 3\ X3 + \beta\ 4X4 + e$$

4. Results and Discussion

Descriptive Statistical Analysis

Table 2 Descriptive Statistical Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
Capital Structure	67	0.001	3.824	0.768	0.646
Profitability	67	0.001	0.309	0.076	0.058

Asset Structure	67	0.040	1.000	0.363	0.198
Company Growth	67	-0.276	2.527	0.172	0.409
Company Values	67	0.096	14.952	2.539	2.368

Source: Processed secondary data, 2023

Based on the results of the descriptive statistical test in the table above, there is information about the minimum, maximum, average, and standard deviation values of each of the variables studied. The company value shows a minimum value of 0.096, a maximum value of 14.952 with an average value of 2.539 meaning a total company value of 253.9% and the standard deviation value of 2.368.The capital structure(DER) has a minimum value of 0.001, a maximum value of 3.824 with an average value of 0.768, meaning that the rate of change in the capital structure in the company is 76.5% and the standard deviation value is 0.646. The results of the analysis using descriptive statistics on variable profitability (ROA) showed a minimum value of 0.001, a maximum value of 0.309 with an average value of 0.076 meaning that the return on total assets in all companies was 7.6% and the standard deviation value was 0.058.

The results of the analysis using descriptive statistics on asset structure variables showed a minimum value of 0.040, a maximum value of 1,000 with an average value of 0.363 meaning the company's total assets of 36.3% and a standard deviation value of 0.198.The results of the analysis using descriptive statistics on the company's growth variable (Growth Ratio) showed a minimum value of -0.276, a maximum value of 2.527 with an average value of 0.172 meaning company growth of 17.2%, and a standard deviation value of 0.409.

Discussion

Testing multiple linear regression models requires classical assumption testing the classical assumption test itself consists of a normality test, an autocorrelation test, a multicollinearity test, and a heteroscedasticity test. The results of the Kolmogrov-Smirnov test showed that the significance level in this study was 0.184 or more than 0.05. It can be said that distributed data is normal. Based on the autocorrelation test above the D-W value of 1.957. The value will be compared with the table value using 5% (0.05) with a sample count of 67(N) and the number of independent variables in this study is 4 then (K=4), obtained the number 1.7327 from the Durbin-Watson table. Based on the results of the figure are then entered into the formula du < dw < 4 – du, so that it becomes 1.7327 < 1.957 < 2.2673. Then it can be concluded that there are no symptoms of autocorrelation.

Based on the results of the multicollinearity test above, it can be seen that the capital structure variable with a tolerance value of 0.661> 0.10 and a VIF value of 1.512 < 10. Variable profitability has a tolerance of 0.873 > 0.10 and a VIF value of 1.145 < 10. The asset structure variable has a tolerance of 0.967 and a VIF value of 1.034 < 10. The company's growth variable has a tolerance of 0.737 and a VIF value of 1.357 < 10. Each of the variables shows a tolerance value > 0.10 and a VIF value < 10 for all variables. This suggests that there is no multicollinearity in regression models. Based on the results of the heteroscedasticity test, shows a significance value of more than 0.05 for all variables, namely capital structure, profitability, asset structure, company growth, and company value. This suggests that heteroscedasticity does not occur in regression models.

The F test is performed to test whether the regression model is fit to use or fit. The F test can be performed by looking at the significance value of F at the output of the regression result using SPSS with a significance level of 0.05 (α=5%). If the probability value is greater than α it means that the regression model is not fit. Meanwhile, if the probability value is less than α it means that the regression value is fit or worthy of use. Based on the table above, an adjusted value of R 2 of 0.372 or 37.2% was obtained. This shows that the company's performance variables can be explained by the variables of capital structure, profitability, asset structure, and company growth of 37.2%. While the remaining 62.8% can be explained by other variables outside this research model.

Table 3 Results of Multiple Linear Regression Analysis

Variable	B	t	Sig.	Information
Capital Structure	0.916	2.018	0.048	H1 accepted
Profitability	24.358	5.612	0.000	H2 accepted
Asset Structure	3.109	2.541	0.014	H3 accepted
Company Growth	-0.561	-0.827	0.411	H4 rejected

Source: Processed secondary data, 2023

In this study, the first hypothesis (H_1) is debt to equity (capital structure). Based on the results of the statistical t-test in the table above, it is known that the capital structure has a significant amount of 0.048 smaller than 0.05. This indicates that (H_1) **is accepted**. Therefore, it can be concluded that the capital structure is concerned with the value of the company. These results are in accordance with research conducted by research from Hamidy, R, et al 2015, Mirza Chayani and Khuzaini (2016), I Gede Gora Pratama and Ni Gusti Putu (2016) which states that capital structure affects the value of the company.

In this study the second hypothesis (H_2) is profitability. Based on the results of the statistical t-test in the table above, it is known that profitability has a significant value of 0.000 less than 0.05. This indicates that (H_2) **is accepted**. Therefore, it can be concluded that profitability affects the value of the company. These results are in accordance with research conducted by research from Hamidy, R, et al 2015, Mirza Chayani and Khuzaini (2016), I Gede Gora Pratama and Ni Gusti Putu (2016) which states that Profitability affects Company Value.

In this study, the third hypothesis (H_3) is the structure of assets. Based on the results of the statistical t-test in the table above, it is known that the asset structure has a significant value of 0.014 smaller than 0.05. This indicates that (H_3) **is accepted**. Therefore, it can be concluded that the structure of the asset is concerned with the value of the company. The results of this research are in line with research by Pribadi (2018) which states that the structure of assets has an impact on the value of the company.

In this study, the fourth hypothesis (H_4) is the growth of the company. Based on the results of the statistical test table above, it is known that the company's growth has a significant amount of 0.411 greater than 0.05. This indicates that (H_4) **is accepted**. Therefore, it can be concluded that the growth of the company has no effect on its value of the company. The results of this study are in accordance with research conducted by Fau (2015) showing that company growth has no effect on company value.

5. Conclusion

The results of this study show that of the four internal factors of company value,there are three variables that affect it, namely capital structure, profitability, and asset structure. Meanwhile, the growth variable of the company does not affect its value of the company. The use of price book value measurement is a very simple indicator that is used to determine whether a company's book value is high or not, cheap or expensive. This study only used the observation year 2020-2021, where the year studied was only during the pandemic, and could not compare with before the pandemic. This research is only carried out in one sector, namely the goods and consumption industry sector. So the results of the study have not represented the situation in other sectors.

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