

Firm Value in Profitability, Leverage, Capital Structure, and Firm Growth

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Abstrak

Tujuan - Penelitian dilaksanakan agar dapat mengetahui serta menjelaskan bagaimana profitabilitas, leverage, struktur modal, serta pertumbuhan perusahaan dapat memengaruhi nilai perusahaan.

Desain/Metodologi/Pendekatan - Jenis penelitian ini adalah data kuantitatif dengan memanfaatkan metode pengambilan sampel dan data bersumber pada laporan tahunan yang diterbitkan perusahaan Sub Sektor Otomotif dan Komponen yang tercatat pada Bursa Efek Indonesia untuk 2016-2022. Data pada observasi ini dianalisis dengan analisis regresi data panel melalui EViews 12.

Temuan - Hasil dari observasi ini menyatakan profitabilitas, leverage, struktur modal, serta pertumbuhan perusahaan secara simultan memengaruhi nilai perusahaan. Uji parsial memperlihatkan profitabilitas dengan struktur modal dengan signifikan memengaruhi nilai perusahaan. Sementara itu, leverage dan pertumbuhan perusahaan tidak berpengaruh terhadap nilai perusahaan.

Keterbatasan/implikasi Penelitian - Adapun implikasi penelitian ini adalah membantu perusahaan agar dapat mengelola dan menggunakan leverage dengan baik serta mengoptimalkan pertumbuhan perusahaan agar harga saham tetap stabil sehingga dapat dijadikan sebagai bahan pertimbangan yang baik bagi para investor.

Kata Kunci: Nilai Perusahaan, Profitabilitas, Leverage, Struktur Modal, dan Pertumbuhan Perusahaan

Abstract

Purpose - This research was conducted to determine and explain how profitability, leverage, capital structure, and company growth can affect firm value.

Design/methodology/approach - This research used quantitative data with sampling method and the data source was obtained from the annual report of the Automotive and Component Sub Sector companies that have been registered on Indonesian Stock Exchange in 2016-2022. These data in this research are analyzed with panel data regression analysis which is processed using EViews 12 software.

Findings - Results from this research point out that profitability, leverage, capital structure, and company growth simultaneously influence company value. The partial test shows profitability with capital structure positively influencing company value. Meanwhile, leverage and company growth have no effect on firm value.

Research limitations/implications - The implication from this research, it can assist companies in managing and using leverage properly and optimizing company growth so that stock prices remain stable so that it can be used as a good consideration for investors.

Keywords: Company Value, Profitability, Leverage, Capital Structure, and Company Growth

Introduction

The number of companies from year to year continues to experience a significant increase, resulting in competition between companies becoming more intense. The existence of this competition encourages companies to focus more on increasing company value with the main objective of achieving optimal results in accordance with company goals (Nggily et al., 2023). Company value can reflect shareholders so that the high value of the company will affect the level of prosperity of its shareholders and vice versa (Parta & Sedana, 2018). Company value is a condition that has been achieved by a company that reflects the level of public trust in the company through a series of activities over several years, starting from its establishment until now (Emanuel & Rasyid, 2019). A high share price creates a company value in a good condition. Therefore, a good company value can increase confidence in the company's future operations.

According to Yunita & Artini (2019), company value is an important indicator in evaluating company performance, it can influence investors in making their

investments. These are supported in the research of Noviani et al. (2019) found that company value can be seen from the stock price, where the higher the stock price, the higher the investor's return and the higher the company value.

Throughout 2019, manufacturing companies have experienced a decline and stocks in the automotive industry sector and its components have also slumped since the beginning of the year, causing the sector to decline by 7.03% since the beginning of the year due to falling demand for automotive products (CNBC Indonesia, 2020). According to the Indonesia Stock Exchange, out of 13 companies engaged in the automotive sector, 11 stocks have declined since the beginning of the year, one stock has strengthened, and the other stock is stagnant. The most affected stock is PT Indo Kordsa Tbk (BRAM), with the latest price drop reaching Rp 6,500 per share. Meanwhile, the stock that experienced an increase was PT Multistrada Arah Sarana Tbk (MASA), with an increase of 4.35% at Rp 480 per share. The stagnant stock is PT Nipress Tbk (NIPS), which closed at Rp 282 per share. As a result, this stock has not been traded since

July 1, 2019, when the company was suspended due to delays in submitting financial reports to the stock exchange. The automotive industry & its components is a sector that has a considerable contribution towards the national economy. It has contributed Rp99.16 trillion in investment with an annual production volume up to 2.35 million units (Kemenperin, 2021). Indonesia has undergone a remarkable change from being only a production site for cars to be exported to the southeast Asian region, it has

now become a large car sales market due to high value-added consumer demand (Investments, 2017). In recent years, the production of cars and motorcycles has continued to increase along with high consumer demand, so research on the automotive & components sub-sector needs to be carried out to optimize its development. The following is a graph of the average stock price of companies in the automotive sub-sector & its components that are registered in the Indonesian Stock Exchange:

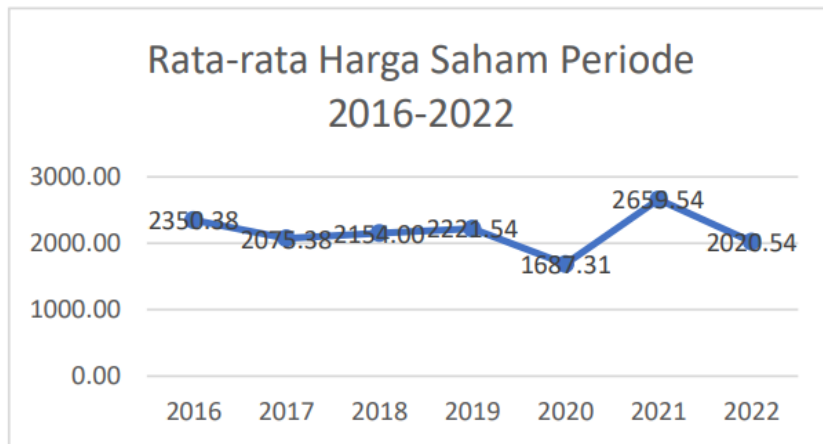


Figure 1
Average Share Price for the Period
2016-2022
Source: Indonesia Stock Exchange
Data Processed By The Author (2023)

Based on the graph in the figure above, it shows that the average share price in 2016 was 2350.38, in 2017 it was 2075.38, in 2018 it was 2154.00, and in 2019 it was 2221.54. However, from 2019 to 2020 it decreased to 1687.31 and in 2021 it increased again to 2659.54, but in 2022 the average share price decreased again to 2020.54. So this shows that there has been stock price instability in the last few years and the company's value condition is considered not good.

Existence of stock price instability shows that the company value owned by

several companies is also relatively low so that it can lead to unfavorable assumptions about the company. Therefore, investors need a ratio of price to book value (PBV) in order to gauge the value of the Company with an idea about how much the market rates the book value of a company's shares. According to Brigham & Houston (2018) there are several variables that affect firm value, namely, limited responsibility to reduce risk, company growth, liquidity, profitability, and capital structure. However, the factors considered in this study are

profitability, leverage, capital structure, and company growth.

First factor that affects the value of the company will be profitability. Profitability is truly a financial indicator that investors use for measuring and assessing capability of company in generating profit obtained through sales and investment decisions made by that company which if profitability level owned by the company high, it will be an encouragement for investors to allocate their funds to the company (Rajagukguk et al., 2019). Thus, the high profitability of the company indicates that it has good company value. Based on research conducted by Dewantari et al. (2019) and Siregar et al. (2019) state that profitability can have a positive influence on company value. Meanwhile, Nathanael & Panggabean (2021) and Mahanani & Kartika (2022) state that profitability has no effect on firm value.

Second is leverage which is one of the independent variables that would influence company value. Leverage is a indicated total of debt and loans used by a company for expanding the business operations with the intention of achieving the maximum possible profit (Rendy & Sudirgo, 2023). The greater the amount of funding obtained through loans utilized by the company, the greater the company's capacity for creating profits (Dewi & Abundanti, 2019). The research results from Pratama & Nurhayati (2022) and Suwardika & Mustanda (2017) state that leverage positively affects company value. Meanwhile, Hidayat (2019) shows that leverage did not influence a company's value.

Another factor that affects company value is capital structure. Capital structure is a comparison among funds obtained from external parties and internal funds used by the company to fund its assets (Utami, 2019). Internal sources of funds come from company profits, while external sources of funds can be obtained through creditors (Qayyum & Noreen, 2019). Capital structure is a framework that describes how

equity and debt are used to finance company operations by optimizing the balance between risk and return generated (Sintyana & Artini, 2019). Capital structure is a framework that describes how equity and debt are used to finance company operations by optimizing the balance between risk and return generated (Dada & Ghazali, 2016). The results of research by Nathanael & Panggabean (2021) and Oktiwiati & Nurhayati (2020) state that capital structure had a significant positive influence on company value. The other research that has different findings is research by Ayem & Nugroho (2016) and Mahanani & Kartika (2022) who stated the capital structure had no impact on company value.

Another factor that would be affected is company growth. Company growth is the company's capacity to improve or control their position over time (Kristanti et al., 2022). Company growth indicates a situation where the total assets of a company have increased or decreased which affects operational activities where the amount of assets used can increase operational results and benefit investors and have an impact on increasing the rate of return so it gets a positive response from various parties (Suwardika & Mustanda, 2017). The results of Ramdhonah et al. (2019) said that company growth positively affects company value. The different findings, namely results of research conducted by Saputri & Giovanni (2021) and Rendy & Sudirgo (2023) state that company growth had no influence on company value.

From the above description, researchers are attentive to determine how profitability, leverage, capital structure and company growth affect company value with the object of research, namely the automotive sub-sector and its components from 2016 to 2022. The existence of this research was intended as a consideration to boost the company's value by paying attention to various factors such as the variables used in this study. This observation

is also expected to be of interest to investors when making investment decisions.

Literature Review and Hypothesis

Signaling Theory

Signaling theory refers to actions taken by the company to provide clues to investors regarding management's views on the Company's prospects in the form of information regarding the steps taken by management to realize the owner's objectives (Sofiatin, 2020). This theory shows that there needs to be encouragement from the Company to provide signals to investors for the purpose of providing information about the magnitude of the Company's value.

Firm Value

According to Istamarwati & Suseno (2017) company value is an essential thing for an investor who will invest in the listed companies on Indonesia Stock Exchange. When the stock price rises, the firm value tends to rise as well. This increase in firm value can strengthen investor confidence, both in the company's current performance and future prospects (Sintyana & Artini, 2019).

Profitability

Profitability is the company's capability to generate profits. The profit comes from results of sales and investments made by the Company (Ayem & Nugroho, 2016). Profitability is also referred to as a description of management performance in managing the company. The company's profitability can be calculated using ratio from Return On Equity (ROE), by calculating net profit after tax with own capital (Iman et al., 2021). The higher the ROE, the higher the company's ability to generate profits and push the company's profitability to a higher level so that the company's value is too (Dewantari et al., 2019).

The progress of the company's growing profitability will further encourage the confidence and interest of potential investors to allocate investment in a company, considering that investors are basically looking for the optimal rate of return on their investment (Ramdhonah et al., 2019). Positive responses of investors will affect the upturn in the stock value from the company and then their total company value will also increase (Putri et al., 2018). This is also aligned with other studies by Ramdhonah et al. (2019), Dewantari et al. (2019) and Siregar et al. (2019) which explains that profitability positively influences company value.

H₁: Profitability positively affects company value.

Leverage

Leverage is the use of loans by companies to finance the Company's operations (Suwardika & Mustanda, 2017). Leverage is very important because the decision to take on a large amount of debt can increase the value of the company due to reduced income tax. Leverage describes the ratio used to calculate the extent to which the company's assets are supported by debt. If the leverage ratio is high, it indicates that the amount of debt exceeds the company's assets. In order to increase company value or share price, optimal utilization of assets guaranteed by debt must be carried out so as to increase company value (Hidayat, 2018). This is also in line with research by Pratama & Nurhayati (2022) and Suwardika & Mustanda (2017) which state that leverage positively influences company value.

H₂: Leverage positively influences company value.

Capital Structure

Based on Noviani et al. (2019) capital structure defines one of the most important considerations in corporate finance decisions. Capital structure theory states that there is no problem if the company can balance the benefits and costs of debt.

Therefore, the capital structure is expected to increase company profits which in turn can increase company wealth through an increase in company value. According to Jensen & Meckling (1976) states that a manager or agent is looking for financial resources that are used or used as corporate capital. Corporate capital can be obtained from foreign capital and own capital. Capital structure can be calculated by dividing debt with total equity of the company. The cost of capital concept explains that companies will undertake all means to achieve a capital structure that minimizes the average cost of capital use. Minimizing the average costs of capital is not required that the proportion of foreign capital is smaller than the amount of equity capital. This is consistent with other studies by Nathanael & Panggabean (2021) and Oktiwiati & Nurhayati (2020) which state that capital structure positively affects company value.

H3: Capital structure positively affects company value

Company Growth

Noviani et al. (2019) say that company growth is invisible from the high valuation of firm assets and stock market growth by external parties. Company growth also has an impact on firm value. Strong growth reflects continued expansion and significant net income from year to year, this may enhance the company's value (Rendy & Sudirgo, 2023). Company growth according to Dhani & Utama (2017) is a company that has positive asset growth is a company that manages resources effectively so as to generate profits and expand its assets. Companies with large asset growth indicate superior performance in generating profits. This is consistent with Ramdhonah et al. (2019) and Yunita & Artini (2019) states company growth positively influences on company value.

H4: Company growth positively affects company value

Research Method

1) Research Design and Sample

Based on its objectives, this type of research uses descriptive research. Descriptive research conducted in this observation is to determine how profitability, leverage, capital structure, and company growth affect company value. In this case, a quantitative method is used. Known as a quantitative method because the data are in numerical form and the analysis uses statistics (Sugiyono, 2022:7). Besides, the data obtained in this research are secondary data from annual reports and information from Indonesia Stock Exchange's website, namely www.idx.co.id and the official websites of related companies and previous research that supports this research, such as journals, articles, theses, and books that support this study. This population is Automotive Sub-sector & Components which are listed on Indonesian Stock Exchange in 2016-2022.

Sample in this study was collected with a sampling technique called purposive sampling which is a technique with certain conditions (Sugiyono, 2022:85). From this technique, the sample obtained was 13 companies with 7 years of research. Thus, the observation data used 91 observation data. Descriptive statistics and panel data regression analysis were processed using Eviews 12 software.

2) Operational Variables

Several independent variables were used for profitability, leverage, capital structure, and company growth. Meanwhile, a dependent variable on this observation is company value. As for operational variables and measurements used in this study are as follows:

Firm Value

Company value is perhaps interpreted from the point of view of firm investors, which in this study is calculated using Price to Book Value (PBV), which correlates the value of

stock in the market with the company's book value. Better the company's PBV, the better the firm's value would be (Herawan & Dewi, 2021).

$$PBV = \frac{\text{Market Price per Value}}{\text{Book Value per Share}} \times 100\%$$

Profitability

Profitability is the company's capability to develop profits for profit. One of the indicators used in the profitability ratio for company calculations and providing the effectiveness of a company's management is Return On Equity (ROE) to measure net profit after tax with own capital (Kasmir (2019).

$$\text{Return On Equity} = \frac{\text{Laba Bersih}}{\text{Modal}} \times 100\%$$

Leverage

Hery (2017:162) said leverage ratio is known as ratio that can be calculated to the extent to which the company is financed by debt. In this case used the Debt to Asset Ratio (DAR) ratio. Meanwhile, Kasmir (2019) said Debt to Asset Ratio (DAR) is known as debt ratio to calculate the ratio of total debt to total assets.

$$\text{Debt to Asset Ratio} = \frac{\text{Total Debt}}{\text{Total Asset}} \times 100\%$$

Capital Structure

According to Ayem & Nugroho (2016) capital structure is a decision related to funding that has been selected by the company. This study will use the Debt to Equity Ratio (DER) ratio. According to Kasmir (2019) DER is a ratio that can be for evaluating debt to equity.

$$\text{Debt to Equity Ratio} = \frac{\text{Total Hutang (Debt)}}{\text{Total Modal (Equity)}} \times 100\%$$

Company growth

According to Novitasari & Krisnando (2021), company growth is defined as an increment or decrement in the amount of assets owned by the company.

$$\text{Company Growth} = \frac{\text{Total asset}_t - \text{Total asset}_{t-1}}{\text{Total asset}_{t-1}}$$

3) Panel Data Regression Analysis

According to Sekaran & Bougie (2017) regression analysis can be used to measure the certainty of the regression function in guessing the true value. Panel data regression analysis with cross section data with time series data which aims to clarify information from the data. Based on this, the model of regression equation for panel data is on below:

$$Y_{it} = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \epsilon$$

Description:

- Y : Company Value
- β : Variable Regression Coefficient
- X₁ : Profitability
- X₂ : Leverage
- X₃ : Capital Structure
- X₄ : Company Growth
- α : Constant
- i : Company
- t : Time
- ε : Error rate

According to Basuki & Prawoto (2016), there are three approaches in estimating regression models with panel data, which are the common effect model, fixed effect model, and random effect model. Through these tests, one test would be selected that is suitable for this research.

Results and Discussion

1) Descriptive Statistical Test Results

Descriptive statistics represent statistics for analyzing the data that has been collected

and in accordance with the actual situation without making general conclusions. The test results of descriptive statistics in this study case on below:

Table 1
Descriptive Statistics Test Results

	X1	X2	X3	X4	Y
N	91	91	91	91	91
Mean	0.056759	0.411930	1.058768	9.269761	1.288962
Max	0.829414	0.892024	8.261326	140.4903	13.85205
Min	-1.241156	-0.02417	0.010191	-135.4475	0.147651
Std. Dev	0.190228	0.218089	1.167049	38.10962	1.676858

Source: Data Analyzed By Author (2023)

Referring to table 1 on variable Y, it shows that the company value has an average value of 1.288962 with a standard deviation value of 1.676858, meaning that the average is less than the standard deviation value and indicates that the company value has varied and diverse data between one company and another. The minimum value is 0.147651 owned by PT Prima Alloy Steel Tbk (PRAS) in 2019. Meanwhile, the maximum value is 13.85205 that will be owned by PT Multistrada Ara Sarana Tbk (MASA) in 2021.

From the table above, the X1 variable shows that the company's profitability has an average of 0.056759 along with a standard deviation value of 0.190228, meaning that the average profitability value is less than the standard deviation value. This shows that profitability has varied and varied data between one company and another. The minimum value on this variable is -1.241156 owned by PT Multi Prima Sejahtera Tbk (LPIN) in 2016 and maximum value of 0.829414 is owned by PT Multi Prima Sejahtera Tbk (LPIN) in 2017.

Based on table 2 on variable X2, it shows that leverage has an average of 0.411930 with a standard deviation value of 0.218089, meaning that the average value of leverage is greater than the standard

deviation value. This shows that the leverage data does not vary. The minimum value is -0.02417 owned by PT Multistrada Ara Sarana Tbk (MASA) in 2017 and maximum value is 0.8292024 owned by PT Multi Prima Sejahtera Tbk with (LPIN) in 2017.

From table 2 on variable X3 it appears that the capital structure of the company has an average of 1.058768 with a standard deviation 1.167049, meaning that the average value is less than the standard deviation. This shows that the capital structure has variable data and varies from one company to another. The minimum value on this variable is 0.010191 owned by PT Indospring Tbk (INDS) in 2019 and the maximum value of 8.261326 owned by PT Multi Prima Sejahtera Tbk (LPIN) in 2016. Based on table 2 on variable X4, it shows that company growth has an average of 9.269761 with a standard deviation value of 38.10962, meaning that the average value of company growth is smaller than the standard deviation value. This shows that company growth has varied and diverse data between one company and another. The minimum value of company growth is -135.4475 owned by PT Goodyear Indonesia Tbk (GDYR) in 2020 and the maximum value of company growth is 140.4903 owned by PT Prima Alloy Steel Tbk (PRAS) in 2020.

Multicollinearity Test

2) Classical Assumption Test

Table 2
Multicollinearity Test Results

	X1	X2	X3	X4
X1	1.000000	-0.479803	-0.709410	0.078661
X2	-0.479803	1.000000	0.821034	-0.022152
X3	-0.709410	0.821034	1.000000	-0.042714
X4	0.078661	-0.022152	-0.042714	1.000000

Source: Data Analyzed By Author (2023)

As shown in table 2, it shows that the correlation value of each independent variable is <0.9. So it can be concluded that

there is no multicollinearity or no strong relationship between each independent variable of the study.

Heteroscedasticity Test

Table 3
Heteroscedasticity Test Results

Heteroskedasticity Test: White			
Null hypothesis: Homoskedasticity			
F-statistic	0.457460	Prob.F(14,76)	0.9483
Obs*R-squared	7.072479	Prob. Chi-Square(14)	0.9319
Scaled explained SS	111.2761	Prob. Chi-Square(14)	0.0000

Source: Data Analyzed By Author (2023)

As shown in table 3, the heteroscedasticity test with white test shows that the probability value Prob. Chi-Square 0.9319 > 0.05. Therefore, it is reasonable to conclude the regression model in this study does not occur heteroscedasticity. And the regression model is classified as homoscedasticity or there is no inequality of variance in the study.

3) Panel Data Regression Model Selection Results

According on the results of panel data regression model testing that has been carried out including the chow test, hausman test, and lagrange multiplier test, the right model for this study is obtained, namely the random effect model as follows:

Table 4
Panel Data Regression Test Results Using Random Effect

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.061066	0.643392	1.649175	0.1028
X1	1.935947	1.314995	1.472208	0.0146
X2	-0.747016	1.874197	-0.398579	0.6912
X3	0.420504	0.366257	1.148112	0.0341
X4	-0.002102	0.003954	-0.531618	0.5964

Source: Data Analyzed By Author (2023)

Based on this table, the panel data regression model equation can be formulated as follows:

$$\text{Firm Value} = 1,061066 + 1,935947 (X1) - 0,747016 (X2) + 0,420504 (X3) - 0,002102 (X4) + \varepsilon$$

4) Hypothesis Test

Test Coefficient of Determination (R²)

Table 5
Coefficient of Determination (R²)

Root MSE	1.322208	R-squared	0.027273
Mean dependent var	0.577333	Adjusted R-squared	0.237970
S.D. dependent var	1.348043	S.E. of regression	1.360101
Sum squared resid	159.0892	F-statistic	0.042814
Durbin-Watson stat	1.772526	Prob(F-statistic)	0.041633

Source: Data Analyzed By Author (2023)

Table 5 shows that the Adjusted R-squared value of the random effect model is 0.237970 or 23.8%. This can estimate that the independent variable influences the

dependent variable, namely firm value, by 23.8%. While the rest is influenced by other variables.

Simultaneous Test (F Test)

Table 6
Simultaneous Test Results (F Test)

Root MSE	1.322208	R-squared	0.027273
Mean dependent var	0.577333	Adjusted R-squared	0.237970
S.D. dependent var	1.348043	S.E. of regression	1.360101
Sum squared resid	159.0892	F-statistic	0.042814
Durbin-Watson stat	1.772526	Prob(F-statistic)	0.041633

Source: Data Analyzed By Author (2023)

Table 6 simultaneous test results show that prob (F-statistic) value is 0.041633 which means that the value is <0.05. From the test results can be summarized that H0 has been rejected and H1 has been accepted, so it can be interpreted that profitability, leverage,

capital structure, and company growth simultaneously significantly affect the company's value in automotive sub-sector companies & their components registered on Indonesia Stock Exchange 2016-2022.

Partial Test (t test)

Table 7
Partial Test Results (t Test)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.061066	0.643392	1.649175	0.1028
X1	1.935947	1.314995	1.472208	0.0146
X2	-0.747016	1.874197	-0.398579	0.6912
X3	0.420504	0.366257	1.148112	0.0341
X4	-0.002102	0.003954	-0.531618	0.5964

Source: Data Analyzed By Author (2023)

As shown on table 7, obtained the results from T test (partial) as follows:

- a. The coefficient value of profitability (X1) is 1.935947 with a probability level of 0.0146 <0.05, then H1 is accepted, which means that profitability positively affects the company's value.
- b. The coefficient value of leverage (X2) is -0.747016 with a probability level of 0.6912 > 0.05, so H1 is rejected, which means that leverage had no impact on the company's value.
- c. The coefficient value of capital structure (X3) is 0.420504 with a probability level of 0.0341 <0.05, then H1 is acceptable, implying that capital structure positively affects company value.
- d. The coefficient value of company growth (X4) is -0.002102 with a probability level of 0.5964 > 0.05, then H1 is rejected, which means that company growth had no impact on the company's value.

Effect of Profitability on Firm Value

Based on table 7 shows that the results of the hypothesis test (t test) the profitability variable has a probability of 0.0146,

meaning that this value is < 0.05, which means the profitability variable positively affects the company's value. This means that the higher the profitability of the company, the better the company value will be. Obviously, it will attract investors to invest in the firm. However, the results are consistent with other research by Ramdhonah et al. (2019), Dewantari et al. (2019), and Siregar et al. (2019) where they show a positive influence of profitability towards the company's value.

Leverage Effect on Firm Value

From table 7 shows that hypothesis test results (t test) on the leverage variable have a probability value of 0.6912. The value is above the significance level of 0.05, as a result the leverage variable cannot affect the company's value. This shows that high or low leverage in a company will not affect the good or bad value of that company. These results are consistent with Hidayat (2019) who also states that leverage had no influence on company value.

Effect of Capital Structure on Firm Value

Based on table 7, it shows that the results of the hypothesis test (t test) on the capital structure variable have a probability value of 0.0341 and with a coefficient of 0.420504. This value is below the significance level of 0.05, which means the capital structure affects the company's value positively. Since getting a higher capital structure and the better capital managed by the company would improve the company's value. A good company value will have an impact on external companies that will assess the company's condition in the good category. These results are consistent with research by Nathanael & Panggabean (2021) and Oktiwiati & Nurhayati (2020) which show a positive impact on the company's value.

Effect of Company Growth on Firm Value

According to table 7, the results showed that the hypothesis test (t test) on the company growth variable has a probability value of 0.5964, and this value is above the significance level of 0.05, thus reducing the hypothesis that the company growth variable had no influence on company value. These results are the same as the findings of Saputri & Giovanni (2021) and Rendy & Sudirgo (2023) which state that company growth had no influence on company value.

Conclusion And Recommendation

Conclusion

Independent variables used here are profitability, leverage, capital structure, and company growth. Meanwhile, in this study, the dependent variable is company value. The study was carried out in automotive sub-sector companies & their components which registered on Indonesia Stock Exchange in 2016-2022 period. The samples used in this study were 13 companies that met the predetermined criteria with a research period of 7 years. Thus, the observation data used is 91 data.

The results found that profitability, leverage, capital structure, and company growth

simultaneously affect the value of the company. Profitability and capital structure have a partial effect on firm value, which means that the higher the profitability and capital structure of the company, the better the company value. A good company value will give positive signals to investors for investing in that company. The leverage and company growth do not affect the company's value. Whether the company has high or low leverage does not affect the firm's value because the investor's focus is to see how the company's management manages funds effectively to increase the company's value. In company growth, the high and low growth of the company does not affect the company's value because high company growth does not necessarily have good company value, and vice versa.

Suggestion

The limitation in this study is that there are still companies that do not publish financial reports consistently so that the population of this study is still relatively small. The existence of this limitation is expected to be an input for future researchers to increase the research population using other sectors.

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