ANALYSIS OF THE EFFECT OF FIRM SIZE, CAPITAL STRUCTURE, FIRM GROWTH AND FINANCIAL PERFORMANCE ON FIRM VALUE IN MANUFACTURING COMPANIES LISTED IN INDONESIA STOCK EXCHANGE 2014-2017

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Abstract: The objectives of this study is to analyse the effect of Firm Size, Capital Structure, Firm Growth and Financial Performance simultaneously and partially influence the Firm Value on Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX) for the 2014-2017 Period. The type of research is causal associative research which is useful for analysing the causal relationship between one variable with other variables using quantitative data types. This study used secondary data which obtained from IDX and from other official site sources. The population in this study are all manufacturing companies listed in Indonesia Stock Exchange for the period 2014-2017 which informs the phased financial statements contained in the firm's annual report. The total population in this study amounted to 147 companies, with a sample of 53 companies using purposive sampling method, the number of observations was 212 observation units. The data collection method used is documentation technique. The method of data analysis in this study is multiple linear regression and path analysis with the help of Statistical Product and Service Solutions (SPSS) software. The results showed that the size of the firm has a positive and significant effect on firm value, capital structure has a positive and significant effect on firm value, financial performance has a positive and significant effect on firm value while firm growth has a negative and significant effect on firm value.

Keywords: firm size, capital structure, firm growth, financial performance, firm value.

1. Introduction

The firm aims to improve prosperity for the owners or shareholders and also for employees through increasing the value of the firm as reflected in the high stock price. The value of the firm is very important because the high value of the firm will be followed by the high prosperity of shareholders (Brigham and Gapensi, 1996). The higher the stock price, the higher the shareholders' profits thus this situation will be in demand by investors because with increased stock demand, the value of the firm will also increase.

Firm value is an investor's perception of a firm related to stock prices. If the firm has good performance then the firm is likely to have good value. The higher the stock price, the higher the value of the firm. High corporate value is the desire of the firm owners, because with high value shows success in managing every share in the firm. Investors also tend to be more interested in investing their shares in companies that have good performance in increasing firm value.

One of the phenomena related to the value of the firm that occurred based on Kompas.com in 2015, the Salim Group which is engaged in the business of the consumer goods sector is estimated to have good prospects. In the past few years, the Salim Group has added assets through a number of acquisitions. This year, Salim still
has several business expansion targets that have the potential to increase its performance. The results began to appear. In 2014, the Salim Group business holding, PT Indofood Sukses Makmur Tbk (INDF) posted net sales of Rp 63.59 trillion, up 14.3 percent compared to 2013 sales. The achievement of the net profit was Rp 3.89 trillion, growing 55.2 percent from 2013. Indeed, last year Indofood got a lot of pressure from the increase in the burden of raw material prices. However, this issuer can work around this by increasing product selling prices and maintaining efficiency. This makes Indofood's business improve. In fact, the financial performance of the Salim Group's plantation sector issuers also continues to grow amid commodity price pressures. Phintraco Securities analyst Setiawan Effendi predicts that in the long run Indofood's business will be driven by the recovery of Indonesia's economic growth and an increase in people's purchasing power. "Indofood's business sector is also defensive," he said yesterday. Hans Kwee, Kapital Investama's Vice-President Investment Quant, said that the group that has business diversification from upstream to downstream sector is also classified as immune to economic turmoil. Because, by having a complete business, a high burden can be further suppressed so that profit margins are maintained. For example, the Salim Group has a plantation business from upstream to downstream, so that the negative impact of falling commodity prices becomes more minimal.

Based on the phenomena there is an overestimation of the market towards the family ownership of the firm resulting in overvalued in relation to the value of the firm. Negative sentiment towards family ownership was also caused by firm policies that made investor confidence decline. So many companies experienced a decline, especially in stock prices that investors did not interest.

![Figure 1 Graph of Firm Value Growth](image)

From the picture of the growth of firm values above, it is concluded that the growth of firm value every year experiences differences. Of the 10 examples of companies that experienced a significant increase in the firm ALKA (Alaska Industrindo Tbk). The value of the firm increased by 35% from 2014. While in 2016 it increased by 100%. While the firm IGAR (Champion Pacific Indonesia Tbk), TIRT (Tirta Mahakam Resources Tbk), ARNA (Arwana Citra Mulia Tbk) has a decrease in firm value, which was caused by a decrease in sales. While the INTP firm (Indocoment Tungal Prakasa Tbk) has a significant and unstable decline in firm value. Where in 2014 the firm has a good growth in value, but in 2015 there was a decline in the value of the
firm which fell by more than 100% while in 2016 it experienced a reverse increase, greater than 100%. From the graph above, the growth of firm value in the period of the year is always changing. It depends on the sales of each product marketed and the interest of the people who are dominated by technology today.

While the study of Hamidy et.al (2015) Capital structure has a positive and significant influence on the value of the firm. The addition of firm debt to expand the business will increase the share price of the firm. Debt addition is carried out as long as the capital structure is below its optimal point in expanding its business. Unlike Dewi and Wirajaya (2013) study showed that the capital structure has a negative and significant effect on firm value. If the capital structure position is below the optimal point, any additional debt will increase the value of the firm. Conversely, if the position of the capital structure is above the optimal point, any additional debt will reduce the value of the firm.

Whereas Muliani et.al (2014) research proves that financial performance has a positive effect on firm value. This means that a firm's financial performance can increase firm value. With a high level of financial performance, it means that if a firm is operating properly, with a good operational level, it is expected that the firm will be able to obtain high profits and ultimately receive high dividends. While according to Hermuningsih's research, (2012) shows that financial performance has an indirect influence on firm value which can be seen from the results of negative total assets.

From the above studies there are research gaps or differences in research that encourage researchers to conduct research in companies listed on the Indonesia Stock Exchange (IDX). The researcher focuses more on Manufacturing companies by reason of the firm is a firm that has a sustainable production process that starts raw goods up to finished goods. From the description of the above background, the researchers want to be interested in taking the title: "Analysis of the Effect of Firm Size, Capital Structure, Firm Growth and Financial Performance on Firm Values in Manufacturing Companies Listed on the Indonesia Stock Exchange for the 2014-2017 Period".

2. Literature Review and Hypothesis
2.1. Firm Value

Maximizing the value of the firm is very important for a firm, because maximizing the value of the firm also maximizes the firm's main goals. High corporate values will make the market believe not only in the firm's performance but also in the firm's future prospects. the firm is to maximize wealth or firm value (Salvatore, 2005). According to Elisabeth (2012) firm value is the present value of all expected firm profits in the future, the firm's future profits must be discounted to the present because the value of one rupiah in future profits is smaller than the value of one rupiah at present profit.

For companies that have gone public, the value of the firm will be reflected in its market value. Based on the definition of firm value described above and the factors that influence the value of the firm, it can be associated with several theories called Agency Theory and Signalinging Theory, in which Agency Theory prioritizes personal interests compared to firm merit (Jensen and Meckling, 1976) while Signaling Theory itself emphasizes on the importance of information released by companies on investment decisions outside the firm (investors) (Jogiyanto, 2010).

According to Keown (2000: 849) there are several alternatives to assess companies include:
a. Price Book Value
Price Book Value is a ratio that describes how much the market values the book value of a firm's stock. The higher the Price Book Value will show the greater market confidence in the firm's prospects. Price Book Value ratio is calculated by dividing the market value of shares by the book value of the stock.

b. Book Value
Book Value can be used as a starting point for analysing the condition of a firm even though it does not calculate the market value of a firm as a whole. The Book Value ratio is calculated by dividing the total assets after deducting total debt with the number of shares outstanding.

c. Enterprise Value
Enterprise Value or Firm Value is an evaluation by calculating debt and cash as a measure of fairness of a firm's value. The Enterprise Value ratio is calculated by summing market capitalization with debt after deducting cash. Market capitalization is the multiplication of stock market prices with the number of outstanding stock markets.

d. Price Earning Ratio Method
This alternative requires information about the firm's earnings futures projection, the expected return for equity investment, expected return on investment and historical price earnings ratio. These information are used to determine the price earning ratio target and compare it with the industry average.

e. Discounted Cashflow Approach
In this way the assessor will discount the expected cash flow and compare it with the firm's market value.

f. Appraisal Value
The appraisal value of a firm can be obtained from an independent appraisal firm. This value is often associated with placement fees. Appraisal value of a firm will be useful when used in conjunction with other valuation methods. Appraisal values will also be useful in certain situations such as financial companies, natural resource companies or organizations operating in a loss.

g. Stock Market Value
The stock market value as stated in the capital market quote is another approach to estimating the net value of a business. This value approach is one of the most frequently used in valuing large companies and is often used to determine firm prices.

h. Value of the Chop Shop
The chop-shop approach was first introduced by Dean Lebaron and Lawrence Speidell of Batterymarch Management by emphasizing the identification of multi-industry companies that were under value and would be of more value if separated into parts. The chopshop approach emphasizes the value of the firm with various segments of their business.

2.2. Firm Size
According to Brigham and Houston (1999: 117), firm size is the average number of net sales for the year determined until a few years later. In this case sales are greater than variable costs and fixed costs, then the amount of income before tax will be obtained. More, if sales are smaller than variable and fixed costs, the firm will suffer losses. Meanwhile, according to Sudarmadji and Sularto (2007) the determination of the
The size of the firm can be done by using total purchases, sales and market capitalization. The greater the total purchase, sales, and market capitalization, the greater the size of the firm. Firm size can show the total assets owned by the firm, the larger the size of the firm, the greater the assets owned by the firm. The size of the firm that is considered the greater the value of the firm, the greater the size of the firm, the easier the firm to obtain resources that can be used to achieve firm goals. If the firm has a large total assets, more management in using the assets in the firm for firm activities. If viewed from the management side, the ease with which it has in the control of the firm will increase the value of the firm (Suharli, 2006).

2.3. Capital Structure

Definition of capital structure varies according to experts, which in the opinion of Weston and Copeland (2009) capital structure, namely permanent financing consisting of long-term debt, preferred stock and stockholder capital. The book value of stockholder capital consists of ordinary stock, paid-in capital or capital surplus and accumulated retained earnings, if the firm has preferred stocks, then the stocks will be added to stockholder capital. If the firm meets its funding needs from an internal source, then the firm carries out internal financing, namely in the form of retained earnings. Conversely, if the firm meets its funding needs from an external source, then the firm carries out external financing. Fulfillment of external funding needs is separated into 2, namely debt financing (equity financing) and self-financing (equity financing). Debt financing is obtained through loans, while equity funding comes from emissions or issuance of stocks.

2.4. Firm Growth

Growth is the impact of the flow of firm funds from operational changes caused by growth or a decrease in business volume. The firm growth is expected by the internal and external parties of the firm, because good growth gives a sign for the development of the firm. From the investor's point of view, the growth of a firm is a sign that the firm has a profitable aspect, and investors will expect a rate of return and the investment made shows good development (Eduardus 2001). The firm's growth is calculated as the percentage change in assets in a given year against the previous year (Suprantiningrum, 2013). According to Brigham and Houston (2009) firm growth is a change (increase or decrease) in total assets owned by the firm.

2.5. Financial Performance

Performance can be interpreted as the achievement of a firm in a certain period which reflects the level of financial health of the firm in achieving firm goals. Financial performance is an overview of the financial condition of a firm which is analysed with financial analysis tools, that can indicate the good or bad finance of a firm that reflects work performance in a certain period. According to (Jumingan, 2006) Performance is a description of the achievements of the firm in its operational activities both concerning financial aspects, marketing aspects, aspects of fund collection and distribution of funds, technological aspects, and aspects of human resources. Whereas according to Mulyadi (2007) the notion of financial performance is the periodic determination of the operational effectiveness of an organization and its employees based on the targets, standards, and criteria set beforehand.
Research Hypothesis

Based on the formulation of the problem, objectives, theory, previous research, relationships between variables, and the conceptual framework, the hypothesis in this study can be formulated as follows:

1. Firm size (X1) has a simultaneous and partial effect on Firm Value (Y) in Manufacturing companies listed on the Indonesia Stock Exchange for the 2014-2017 Period.
2. Capital structure (X2) has a simultaneous and partial effect on Firm Value (Y) in Manufacturing companies listed on the Indonesia Stock Exchange for the 2014-2017 Period.
3. Firm growth (X3) has a simultaneous and partial effect on Firm Value (Y) in Manufacturing companies listed on the Indonesia Stock Exchange for the 2014-2017 Period.
4. Financial performance (X4) has a simultaneous and partial effect on Firm Value (Y) in Manufacturing companies listed on the Indonesia Stock Exchange for the 2014-2017 Period.

3. Method

The type of research conducted is causal research. Causal research identifies causal relationships between various variables (Erlina, 2008). In this case to see the effect of firm size, capital structure, firm growth and financial performance on firm value. This research was conducted on companies that are members of the Indonesia Stock Exchange (IDX) for the period 2014-2016. The research was conducted in December 2017 and planned until August 2018. The research was conducted on the official website of the Indonesia Stock Exchange (IDX) through www.idx.com.

The selection and collection of sample data needed in this study is done by purposive sampling, which is sampling based on certain criteria and the criteria used can be based on judgment or based on certain quota (Erlina, 2008). The population of this study amounted to 147 companies (Appendix) incorporated in Manufacturing Companies. The sampling criteria are as follows:

1. Manufacturing companies listed on the Indonesia Stock Exchange during the study period, from 2014 to 2016.
2. The company issued financial statements continuously during the study period in rupiah (IDR).
3. The company issued annual financial statements for the period 2014-2017 and did not suffer losses.

So in determining the sampling of this study with a number of 53 companies (Appendix), where sampling is based on the criteria set by the researcher. The following is a total sample of 53 x 4 Period totaling 212 Manufacturing Company Samples.

4. Result and Discussion

Normality Assumption Test

In this study, residual normality test using the Kolmogorov Smirnov test. The level of significance used is \( \alpha = 0.05 \). The basis of decision making is looking at probability numbers \( p \), with the following conditions (Ghozali, 2013). If the probability value is \( p \geq 0.05 \), then the assumption of normality is fulfilled. If the probability is \( <0.05 \), then the assumption of normality is not fulfilled. In this case, the assumption of normality has been fulfilled.

Multicolinearity Test

To check whether multicollinearity occurs can be seen from the value of the variance inflation factor (VIF). VIF value of more than 10 is indicated by an independent variable that occurs multicollinearity (Gio and Elly, 2015). From the results of the test there was no multicollinearity.

Heteroscedasticity Test

To detect the presence or absence of heteroscedasticity can be done using the Park test. From the results of the test there was no heteroscedasticity.

Autocorrelation Test

The autocorrelation test in this study used the Durbin-Watson test. The results are based on the Durbin-Watson test. The statistical value of the Durbin-Watson test that is smaller than 1 or greater than 3 is indicated by autocorrelation. The result showed the value of the Durbin-Watson statistic is 1.136. Note that because the Durbin-Watson statistical value is between 1 and 3, which is \( 1 <1.136 <3 \), the assumption of non-autocorrelation is fulfilled. In other words, there are no symptoms of autocorrelation.

Discussions


Based on partial research, it is known that the Firm Size variable (X1) has a positive and significant effect on Firm Value (Y). Firm size is a measure that describes the size of the firm that can be assessed from the total value of assets in the firm. Large firm size indicates that the firm is experiencing good growth. Firms with large growth will find it easy to enter the capital market because every investor seeks and captures a positive signal to a firm that has large growth so that the positive response reflects the increasing value of the firm. Where investors will invest in each firm that has a positive value in the development of the firm. Increasing firm value can be marked by the firm’s total assets in a certain period.

The results of this study are in line with the research of Widiastari and Yasa, (2018) which have proven that firm size has a positive and significant effect on firm value, because the larger the size of the firm, the value of the firm will increase. Where large firms have large total assets so they tend to have more stable financial conditions and are easier to get funding sources so that it will be more attractive to investors. In contrast to the research conducted by Rumondor et.al
(2015), that the size of the firm has a negative and not significant effect on Firm Value. This shows that the total assets owned by the company can be used for company operations. Where the firm has the ease of accessing the capital market, which means the firm has the flexibility and ability to obtain funds.

2. Effect of Capital Structure (X2) on Firm Values (Y) in Manufacturing Companies 2014-2017

Based on research partially Capital Structure (X2) has a positive and significant effect on Firm Value (Y). This shows that the addition of debt by the company to expand the business will increase the stock price of the company. The increased stock price is a signal from the firm in increasing the value of the firm. Directly the value of the firm increased significantly. Different from the research of Dewi and Wirajaya, (2013) which stated that the capital structure has a negative and significant effect on firm value. That if the capital structure position is below the optimal point, any additional debt will increase the value of the firm. Conversely, if the position of the capital structure is above the optimal point, any additional debt will reduce the value of the firm.


Based on partial research, it is known that the Firm Size variable (X3) has a negative and significant effect on Firm Value (Y). From the research on the growth of firm, it can be seen that the differences in each firm’s assets are always changing. The firm’s growth is highly expected by internal and external parties of the firm, because good growth signals the development of the firm. From the investor's point of view, the growth of a firm is a sign that the firm has a favorable aspect, and investors will expect a rate of return from the investment made to show a good development.


Based on partial research, it is known that the Firm Size variable (X4) has a positive and significant effect on Firm Value (Y). This means that firms that have good performance in managing assets are able to produce high profitability and will influence the higher value of the firm, which means that the use of external funds can be reduced by firms having more internal funds because they have high profitability, so that shareholders benefit dividends from profits generated and reduce the obligation of companies to pay interest. Unlike the research conducted by Hermuningsih, (2012) shows that financial performance has an indirect effect on firm value which can be seen from the results of negative total assets.

References
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References


