

The Effect Of Growth Opportunity and Profitability On Company Value On The Stock Exchange Indonesia (BEI) Period 2018-2022

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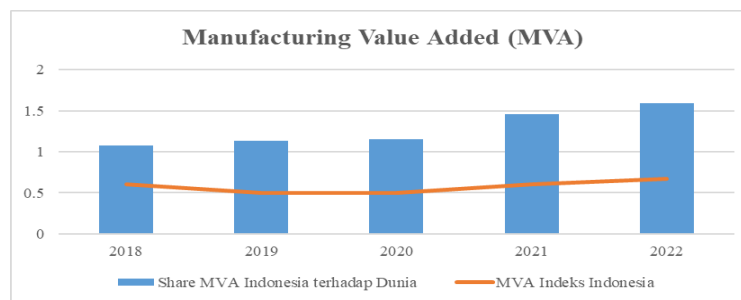
Abstract. Based on data from the United Nations Industrial Development Organization (UNIDO), Indonesia is the country with the most influential manufacturing industry value in the world, but from the other side, based on data, the growth of the manufacturing industry in Indonesia experienced a significant decline in 2020, this is due to the condition of the closure of the capital structure and the impact The Covid-19 pandemic has weakened the value of investment in manufacturing industry companies, which has an impact on growth opportunities. Apart from that, the profitability of manufacturing industry companies has weakened, potentially leading to a decline in company value. Therefore, the aim of this research is to understand the factors that influence the value of manufacturing industry companies. Through capital structure as an intervention, the data used in this research is secondary data used in the form of annual financial report data of manufacturing companies for the 2018-2022 period obtained from the Indonesia Stock Exchange (BEI) website, namely www.idx.co.id with the sample size using Purposive sampling is based on criteria so that from 236 companies we get a sample of 115 companies. The analysis method used is descriptive statistical analysis, panel data regression analysis, and Sobel test using e-views version 10. Analysis of manufacturing company data on the 2018-2022 BEI shows that the effect is significant. direct negative impact on capital structure.

Keywords: Manufacturing Industry, Company Value, Capital Structure, and Economic Growth.

BACKGROUND

The influence of the value of the manufacturing industry in Indonesia on the world is also reflected in the dynamics of international trade. With exports being one of the main ways for the country to engage in international trade, Indonesia's manufacturing industry plays an important role in providing products for the global market. Penetrating foreign markets through exports allows Indonesia to expand its product range and increase its contribution to the global economy. On the other hand, by importing cheap raw materials, Indonesian manufacturing companies can increase their competitiveness by optimizing production costs. In this way, the relationship between the value of Indonesia's manufacturing industry and international trade becomes mutually reinforcing, creating opportunities for greater economic growth and deeper integration in global mark

Figure 1. The Influence of the Value of the Manufacturing Industry in Indonesia on the World



Received April 30 2024; Accepted May 06, 2024 Published May 31, 2024

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The increase in Share MVA shows that Indonesia has succeeded in increasing the contribution of its manufacturing sector to global added value, which may be influenced by international trade activities mentioned in the text. Nevertheless, fluctuations in the MVA Index show that there are still challenges in increasing the efficiency and productivity of the Indonesian manufacturing sector. The consumer goods industry is an important industry for meeting basic needs and ensuring the survival of everyone in the world. The consumer goods industry is no exception, showing a positive development trend in the capital market, as evidenced by the increasing number of registered consumer goods companies (Lim, 2017).

One of the factors that influences company value is funding decisions which are reflected in the capital structure. According to Brigham & Ehrhardt, (2011) capital structure is the balance between the amount of debt and the company's own capital. A company is said to have an optimal capital structure if the combination of debt and equity (external sources) maximizes the company's share price, therefore debt is part of the capital structure. An appropriate capital structure is expected to add business value to a company.

The positive growth rate in several years indicates an increase in manufacturing industry production from year to year, although there was a decline in production in 2020 with a growth rate of -2.9%, this decline was due to the attack of a new disease called Coronavirus Disease-19 (COVID-19).). The arrival of COVID-19 has had a negative influence on the capital market. This is because investors.

Figure 2. Manufacturing Company Industry Growth Data for 2018-2023



Sumber : Pendapatan Nasional Indonesia, BPS 2023

THEORETICAL STUDY

In conducting this research, the author used several previous studies as reference material.

No	Name, Year, The Affiliation	Methods	Variable	Conclusion
1	Alisa & Aryani, (2022), <i>Profitability, Growth Opportunity and Capital Structure on Firm Value at Non-Go Public Banks</i>	Multiple linear regression analysis with SPSS version 16. Independent Variables: Profitability and Capital Structure	Dependent Variable: The value of the company Profitability has an influence on capital structure. Growth opportunity has no influence on capital structure. Profitability and capital structure have an influence on company value.	Growth opportunity has an influence on company value. Profitability, growth opportunity and capital structure simultaneously influence company value.
2	Nugroho dan Patrisia (2022), <i>The effect of capital structure, and growth opportunity on firm value on real estate and property companies listed on BEI (2015- 2019 period)</i>	<i>Multiple linear and non-linear regression analysis</i>	Independent Variable: Capital structure and growth Dependent Variable: The value of the company	Capital structure has a significant negative influence on company value. Growth has no influence on company value.
3	Burhanuddin (2022), <i>Effect of capital structure and Growth Opportunity on firm value (Case Study on Manufacturing Companies on the stock exchange Indonesian Securities)</i>	Multiple linear and non-linear regression analysis	Independent Variable: Capital structure and Growth Opportunity Dependent Variable: Company Value	Capital structure and growth opportunity simultaneously have a significant positive influence on company value. Partially, capital structure has no effect, and growth opportunity has a negative and significant influence on company value.

METHODS

This research is associative (relationship) which aims to explain the relationship between the dependent variable and the independent variable through hypothesis testing, namely the data or variables are examined first and then the relationship is explained. Population in this study is a manufacturing company registered on the IDX for the 2018-2022 period, there are 236 companies. The research sample selected was based on the following criteria:

1. Existing manufacturing companies that are still registered on the IDX in the 2018-2022 period.
2. Manufacturing companies that actively report audited financial reports in the 2018-2022 period.
3. Companies that have never been delisted from the IDX in 2018-2022.
4. Conduct an IPO in 2018-2022.

RESULTS AND DISCUSSION

Descriptive Statistics Results

The total input for data processing from 236 companies with a population of 115 companies has met the requirements for follow-up in the data processing process. Furthermore, the data used from 115 companies is for the last 5 years, therefore the number of observations made on company value, capital structure, growth opportunity and profitability of 575 samples with the following processing results

Test Chow

Chow test or Chow test is a test to choose the best approach between the Common Effect Model (CEM) approach and the Fixed Effect Model (FEM).

Table 1. Chow test

Uji Chow	AMOUNT	RESULT
Influence Sub Model 1		
H0: Common Effect Model (CEM) > 0.05	0,019	FEM
Ha: Fixed Effect Model (FEM) < 0.05		
Influence Sub Model 2		
H0: Common Effect Model (CEM) > 0.05	0,000	FEM
Ha: Fixed Effect Model (FEM) < 0.05		

Sumber : Hasil di olah E-views 10 tahun 2024

Hausman test

Hausman test, namely statistical testing so that you can choose whether the fixed effect or random effect model is most appropriate to use

Table 2. Hausman test

Uji Hausman	Amount	Result
Influence Sub Model 1		
H0: Random Effect Model (REM) > 0.05	0,031	FEM
Ha: Fixed Effect Model (FEM) < 0.05		
Influence sub model 2		
H0: Random Effect Model (REM) > 0.05	0,961	REM
Ha: Fixed Effect Model (FEM) < 0.05		

Sumber : Hasil di olah E-views 10 tahun 2024

Uji Lagrange Multiplier (LM)

The Lagrange multiplier test aims to be able to test whether the random effect or common effect model is the most appropriate to use.

Table 3. Hausman test

Uji Lagrange Multiplier	Amount	Result
Influence Sub Model 1		
H0: Common Effect Model (CEM) > 0.05	0,815	CEM
Ha: Random Effect Model (REM) < 0.05		
Influence Sub Model 2		
H0: Common Effect Model (CEM) > 0.05	0,027	REM
Ha: Random Effect Model (REM) < 0.05		

Sumber : Hasil di olah E-views 10 tahun 2024

Uji Lagrange Multiplier (LM)

The Lagrange multiplier test aims to be able to test whether the random effect or common effect model is the most appropriate to use.

Table 4. Hausman test

Uji Lagrange Multiplier	Amount	Result
Influence Sub Model 1		
H0: Common Effect Model (CEM) > 0.05	0,815	CEM
Ha: Random Effect Model (REM) < 0.05		
Influence Sub Model 2		

H0: Common Effect Model (CEM) > 0.05	0,027	REM
Ha: Random Effect Model (REM) < 0.05		

Sumber : Hasil di olah E-views 10 tahun 2024

The research results which show that Growth Opportunity has an indirect negative influence on company value through capital structure as an intervening variable provide a deeper understanding of the complexity of the relationship between growth opportunities, capital structure and company value. Managers need to realize that although growth opportunities are important for increasing company value, growth strategies and funding policies need to be adjusted to consider how capital structure can moderate the influence of these growth opportunities on company value. By understanding these implications, managers can optimize their capital structure to maximize the positive impact of growth opportunities on company value while reducing the potential negative impact, as well as managing risks more wisely in accordance with the principles of Good Corporate Governance (GCG)..

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Based on the explanation of the results of the research analysis, the following are obtained:

1. Growth Opportunity has a direct positive influence on Capital Structure.
2. Profitability has a direct negative influence on Capital Structure.
3. Growth Opportunity has a direct positive influence on Company Value.
4. Capital Structure has a direct positive influence on Company Value.
5. The influence of Growth Opportunity on Company Value has an indirect negative influence with Capital Structure as an intervening variable.
6. The influence of profitability on company value has an indirect negative influence with Capital Structure as an intervening variable.
7. Profitability has a direct positive influence on Company Value,

Recommendations

Based on the results of the discussion and conclusions above, the following suggestions can be put forward:

1. Company Management

Risk management must be a top priority. Identify, evaluate and manage risks that may affect company performance effectively

2. Investors

Invest with a long-term view. Focus on companies that have strong fundamentals and the potential for sustainable growth in the long term.

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