International Journal of Multidisciplinary Research and Publications
ISSN (Online): 2581-6187

The Effect of Capital Structure, Profitability, Company Size, and Institutional Ownership on Company Value (Case Study of Manufacturing Companies Listed on the IDX for the 2019-2021 Period)

Indah Nur Hidayah[1], Yuli Tri Cahyono[2]
[1, 2]Faculty of Economics and Business, Muhammadiyah University of Surakarta, Surakarta, Surakarta, Indonesia
[2] Faculty of Economics and Business, Muhammadiyah University of Surakarta, Surakarta, Surakarta, Indonesia
Email address: indahnurhidayah572@gmail.com, ytc115@ums.ac.id

Abstract— *This study aims to analyze the effect of capital structure, profitability, company size, and institutional ownership on firm value. The population in this study was conducted at Manufacturing companies on the IDX in 2019-2021. The data used is secondary data taken by purposive sampling method and obtained 186 samples. The data analysis technique used in this study is multiple linear analysis. The test results show that capital structure and profitability have an effect on firm value, while firm size and institutional ownership have no effect on firm value..*

Keywords— *Company Value, Capital Structure, Profitability, Company Size, and Institutional Ownership.*

I. Introduction

Manufacturing companies are companies whose activities buy raw materials and then process raw materials by incurring other costs into finished goods ready for sale. In accounting, inventory is goods owned by a company with the aim of selling, and inventory can be divided into three, namely raw material inventory, work in process, and finished goods.

Firm value can be measured through book value*(book value)* and market value*(market value)* equity at the time the financial statements are issued or published. The book value of equity is the value of equity based on the freezing of the company. The market value of equity is the value of equity based on market prices which is often associated with the company's share price in the capital market (Hariati, 2015).

Based on the Ministry of Industry's records, investment in the manufacturing sector during the first quarter of 2018 reached IDR 63.7 trillion. This realization occurred from domestic investment (PMDN) worth IDR 21.4 trillion and foreign investment (PMA) of US $ 3.1 billion. As for the metal, machine, electronics industry sector, which is the largest contributor to the industry, several strategies that have been carried out are optimizing the utilization of facilities*fiscal* like*tax holiday, tax allowance,* and exemption from import duties on capital goods or raw materials. These facilities are provided for industries that carry out R&D and vocational activities as well as reductions in income tax for labor-intensive industries capable of absorbing more than 1,000 people (Kompas, May 26 2018).

Several factors affect company value, including capital structure, profitability, company size, and institutional ownership. Capital structure*(capital structure)* is a balance of permanent short-term debt, long-term debt, preferred stock and common stock (Martono and Harjito, 2012).

Profitability shows the relationship between profit and sales and profit and investment. Company size is considered capable of influencing company value, because the larger the size of the company or the scale of the company, the easier it is for the company to obtain funding sources, both internal and external (Khumairoh, 2016).

Institutional ownership can increase firm value, by utilizing information, and can overcome agency conflicts because with increased institutional ownership, all company activities will be supervised by institutions or institutions.

Based on this background, the authors are interested in conducting research by taking the title "The Influence of Capital Structure, Profitability, Company Size, and Institutional Ownership on Firm Value (Case Study of Manufacturing Companies Listed on the IDX for the 2019-2021 Period)."

II. Literature Review and hypothesis development

Agency Theory

Agency theory is a contract*(nexus of contract)* between owners of economic resources*(principal)* and manager*(agent)* who manages the use and control of these resources (Jensen and Meckling, 1976:5). The main principle of this theory is the existence of a working relationship between parties who give authority*(agency)* i.e. manager and*principal*, namely the owner of the company.

Signal Theory

Signal Theory explains how managers provide signals to investors to reduce information asymmetry through financial reports. Signal theory has an important influence on optimal capital structure, so that two perspectives of managers appear, namely the prospects for the company will be profitable and unfavorable. Signal Theory is a theory that can affect the value of the company. Theory Signal provide information regarding the condition of the company through financial reports to find out differences in information.

International Journal of Multidisciplinary Research and Publications
ISSN (Online): 2581-6187

Information Asymmetry Theory

Information Asymmetry *(Asymmetric Information)* is a condition in which there is an imbalance between the amount of information held by company management and the amount of information held by outsiders of the company. According to Scott (2009:13) there are two kinds of information asymmetry namely*adverse selection* and*moral hazard*.

The value of the company

According to Sujoko and Soebinto (2013: 131) company value is an investor's point of view of the company's success which is often associated with stock prices. Stable stock prices tend to increase the value of the company in the long run. Firm value plays an important role in showing the prosperity of shareholders in the company. High company value will make the market not only on current performance, but also on the company's prospects in the future. In general, the goal of a good company is the company*go public* as well as companies*non public* is to increase the value of the company.

Capital Structure

According to Riyanto (2010: 296) capital structure is the balance or comparison between the amount of long-term debt and own capital. Optimal capital structure must be in a balance between risk and return that can maximize stock prices. Because if the risk is higher it tends to reduce stock prices, but the other impacts are the expected rate of return will increase. Such an increase in the long term can also increase the stock. The higher the stock price, the higher the company's value will be. The results of research conducted by Yuniastri, Endiana, and Kumalasari (2021) and Nopianti (2021) found that capital structure has a positive effect on firm value.

H_1: The capital structure affects the value of the company.

Profitability

According to Kasmir (2019: 114) profitability is a company's ability to seek profit or profit in a certain period. Profitability is the company's ability to generate profits. This ability will determine how good the company is in the eyes of investors from a financial perspective. Profitability growth is considered a positive signal by investors because it makes the company's performance better and business prospects more promising in the future so that it can increase the company's value. The results of research conducted by Sunaryo (2020), Meli (2020), Haryono (2022) found that profitability has a positive and significant effect on company value.

H_2: Profitability affects the value of the company.

Company Size

According to Hartono (2008:14) company size*(firm size)* is the size of the company as measured by the total assets or the size of the company's assets using the calculation of the logarithmic value of total assets. Company size also determines the level of investor confidence. The bigger the company, the more it is known by the public, which means that it is easier to obtain information that will increase the value of the company. In addition, large companies that have total assets with a large enough asset value can attract investors to invest in these companies. The results of research conducted by Dewi and Sudiartha (2017) and Sofia and Akhmadi (2018) found that company size has a positive effect on firm value.

H_3: Firm size has an effect on firm value.

Institutional Ownership

According to widarjo (2010:25) institutional ownership is company shares owned by institutions or institutions such as companies, insurance companies, banks, investment companies, and other institutional ownership. The existence of institutional ownership can encourage increased supervision of managerial performance. A high level of institutional ownership will encourage these institutional investors to carry out large monitoring efforts as well. It makes behavior*opportunistic* manager can be prevented. Companies with large institutional ownership (more than 5%) show the company's ability to monitor management. The results of research conducted by Asnawi, Ibrahim, and Saputra (2019) found that institutional ownership has a positive effect and Yegon (2014) found that institutional ownership has a negative effect on firm value.

H_4: Institutional Ownership affects the value of the company.

III. RESEARCH METHODS

This study uses a quantitative approach method. The population taken is all manufacturing companies listed on the Indonesia Stock Exchange which have published their 2019-2021 financial reports. The method used in sampling is purposive sampling method in accordance with the sample criteria. The sample criteria used are as follows: 1) Manufacturing companies listed on the IDX in 2021. 2) Manufacturing companies on the IDX that have not published a complete annual report during the 2019-2021 period. 3) Manufacturing companies on the IDX that do not use the rupiah currency in their financial reports during the 2019-2021 period. 4) Manufacturing companies on the IDX that are not profitable during the 2019-2021 period. 5) Manufacturing companies on the IDX that do not have complete data on the variables to be studied during the 2019-2021 period.

The data used in this study are the financial reports of manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2019–2021 period. Financial report data obtained fromwww.idx.co.id through the Indonesia Stock Exchange office. Source of data used in this research is secondary.

This study uses measurements as follows:

TABLE I. Measurement Indicators

Variable		Source
Capital Structure	$DER = \frac{\text{Total Utang}}{\text{Total Ekuitas}}$	Sahara and Siddi, 2022
Profitability	$ROA = \frac{\text{Laba Setelah Pajak}}{\text{Total Aset}}\ x\ 100\%$	Sahara and Siddi, 2022
Company Size	*Firm Size* (Company Size) =*LN* (Total Assets)	Sahara and Siddi, 2022
Institutional Ownership	$\text{Kepemilikan Institusional} = \frac{\text{Jumlah saham pihak institusional}}{\text{Jumlah saham beredar}}\ x\ 100\%$	Sahara and Siddi, 2022

Source: Secondary data processed by the author, 2023

Indah Nur Hidayah and Yuli Tri Cahyono, "The Effect of Capital Structure, Profitability, Company Size, and Institusional Ownership on Company Value (Case Study of Manufacturing Companies Listed on the IDX for the 2019-2021 Period)," *International Journal of Multidisciplinary Research and Publications (IJMRAP)*, Volume 5, Issue 12, pp. 58-62, 2023.

IV. RESULTS AND DISCUSSION

TABLE II. Descriptive statistics

		Min	*Max*	*Mean*	*Std. Deviation*
SM	174	0,0035	3,8248	0,797710	0,6466413
P	174	0,0004	0,3636	0,72202	0,0636944
UP	174	25,0488	33,5372	28,800261	1,7421817
TO	174	0,0454	0,9856	0,687477	0,1924110
E.G	174	0,2567	15,6862	2,192035	2,3242953
Valid N	174				

Source: Secondary data processed by the author, 2023

Based on the results of descriptive statistical analysis, the number of data N in this study is 174 companies. The capital structure variable has a value*minimum* of 0.0035 and*maximum* 3.8248 with an average of 0.797710 and a standard deviation of 0.6466413. The profitability variable has a value*minimum* of 0.0004 and*maximum* 0.3636 with an average of 0.072202 and a standard deviation of 0.0636944. The firm size variable has a value*minimum* of 25.0488 and*maximum* 33.5372 with an average of 28.800261 and a standard deviation of 1.7421817. The institutional ownership variable has value*minimum* of 0.0454 and*maximum* 0.9856 with an average of 0.687477 and a standard deviation of 0.1924110.

Testing for normality in this study uses the test*Central Limit Theorem (CLT)*. The number of samples of 186 is greater than 30, so it can be said that the research data is normally distributed.

TABLE III. Multicollinearity Test

Variable	*Collinearity Statistic*		Information
	Tolerance	*VIF*	
SM	0,786	1,273	There is no multicollinearity
P	0,792	1,263	There is no multicollinearity
UP	0,954	1,048	There is no multicollinearity
TO	0,956	1,046	There is no multicollinearity

Source: Secondary data processed by the author, 2023.

Based on the multicollinearity test results indicate that the value*Tolerance Value* each independent variable is less than 10, so it can be concluded that the data does not have multicollinearity.

TABLE IV. Heteroscedasticity Test

Variable	*Say (2-tailed)*	Information
Capital structure	0,851	There is no heteroscedasticity
Profitability	0,176	There is no heteroscedasticity
Company size	0,226	There is no heteroscedasticity
institutional ownership	0,588	There is no heteroscedasticity

Source: Secondary data processed by the author, 2023

Based on the results of the heteroscedasticity test shows that*say (2-tailed)* all independent variables are greater than 0.05, so it can be concluded that the data does not have heteroscedasticity.

TABLE V. Autocorrelation Test

Asym Sig. (2-tailed)	Information
0,761	There is no autocorrelation

Source: Secondary data processed by the author, 2023

Based on the autocorrelation test results show that*asym sig. (2-tailed)* of 0.761 is greater than 0.05, so it can be concluded that there is no autocorrelation.

TABLE VI. Test F

Model	*Sum of square*	*df*	*Mean square*	*F*	*Sig.*
Reggresion	333,739	4	84,185	23,797	0,000[b]
Residual	597,868	169	3,538		

Source: Secondary data processed by the author, 2023

Based on the results of the f test, it shows that the significance value of 0.000 is less than the significance level α (0.05), so it can be concluded that the multiple regression model meets the requirements and the variables capital structure, profitability, firm size, and institutional ownership simultaneously affect the value company as well as it can be said that the regression model is in condition*goodness of fit*.

TABLE VII. Determination Coefficient Test (R^2)

Model	*R*	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*
1	0,600[a]	0,360	0,345	1,8808716

Source: Secondary data processed by the author, 2023

Based on the results of the regression model*Adjusted* R^2 of 0.345, so it can be concluded that 34.5% of firm value is influenced by capital structure, profitability, company size, and institutional ownership, while the remaining 65.5% is influenced by variables not analyzed in the study.

TABLE VIII. Uji-t

Model	*Unstandardized Coefficients*		*Standardized Coefficients*	t	Sig
	B	*Std. Error*	Beta		
Constant	3,786	2,444		1,549	0,123
Capital structure	0,713	0,249	0,198	2,857	0,005
Profitabil ity	24,017	2,523	0,658	9,518	0,000
Company size	-0,137	0,084	-0,102	-1,626	0,106
Institutio nal Ownershi p	0,056	0,760	0,005	0,074	0,906

Source: Secondary data processed by the author, 2023

In this study, the regression models that can be compiled are as follows:

$$NP = 3.786 + 0.713SM + 24.017P – 0.137UP + 0.056KI + e$$

Capital Structure. The results of the study show that capital structure has an effect on the value of manufacturing companies listed on the IDX for the 2019-2021 period. Where the addition of debt made by the company will increase the company's stock price, so that the value of the sample company increases significantly. The results of this study are in line with research conducted by Yuniastri, Endiana, and Kumalasari (2021) and

Nopianti (2021) who found that capital structure has a positive effect on firm value.

Profitability. The results of the study show that profitability affects the value of manufacturing companies listed on the IDX for the 2019-2021 period. Companies that have a high level of profitability will generate a high net profit from the activities of a company. The results of this study are in line with research conducted by Sunaryo (2020), Meli (2020), Haryono (2022) found that profitability has a positive and significant effect on firm value.

Company Size. The results of the study show that company size has no effect on the value of manufacturing companies listed on the IDX for the 2019-2021 period. With this, company size cannot be used as a benchmark for the value of a company. A small company does not necessarily have a bad company value. Conversely, large companies do not always have good corporate value. The results of this study are in line with research conducted by Suwardika (2017), Chasanah (2018), Hairi (2019), and Aulia et al. (2020) which states that company size has no effect on company value

Institutional Ownership. The results of the study show that institutional ownership has no effect on the value of manufacturing companies listed on the IDX for the 2019-2021 period. This happens because institutional ownership is more dominant, has majority shares, which can be seen in the larger descriptive statistics, when compared to shares owned by the public, or it overrides minority shareholders because they are considered more privately profitable. The results of this study are in line with research conducted by Tri Wahyuni (2013).

V. CONCLUSION

Based on the research results, it can be concluded that capital structure and profitability have an effect on firm value, while company size and institutional ownership have no effect on firm value. Future research is expected to be able to add a longer research period and a wider sample size and not be limited to manufacturing companies in order to get a generalizable picture of research results. Second, to be able to pay attention to other variables that can affect company value, such as company age, dividend policy, managerial ownership, and so on.

REFERENCE

[1] Akbar, F., & Fahmi, I. (2020). The effect of company size, profitability and liquidity on dividend policy and firm value in manufacturing companies listed on the Indonesian stock exchange.*Scientific journal of management economics students*, *5*(1), 62-81.

[2] Anggita, K. T., & Andayani, A. (2022). Effect of Company Size, Profitability, Liquidity, and Leverage on Firm Value.*Journal of Accounting Science and Research (JIRA)*, 11(3).

[3] Aulia, A. N., Mustikawati, R. I., & Hariyanto, S. (2020). Profitability, company size and intellectual capital on firm value.*Management Student Research Journal*, 8(1).

[4] Chasanah, AN (2018). The effect of liquidity, profitability, capital structure and company size on company value in manufacturing companies listed on the IDX in 2015-2017.*Journal of Economics and Business Research* , 3 (1), 39-47.

[5] Dewi, D A Intan Yoga Maha and Sudiartha, Gede Mertha. (2017). The Influence of Profitability, Company Size, and Asset Growth on Capital Structure and Firm Value.*E-Journal of Management*. Vol. 6, No. 6. Udayana University.

[6] Dhani, I. P., & Utama, A. G. S. (2017). Effect of Company Growth, Capital Structure, and Profitability on Company Value.*Journal of Accounting and Business Research Airlangga*, 2(1).

[7] Dina, D. A. S., & Wahyuningtyas, E. T. (2022). Profitability Influence,*Leverage*, and Company Size to Firm Value (Empirical Study of LQ45 Companies on the Indonesia Stock Exchange for the 2018-2020 period).*Accounting and Management Journal*, 6(1), 36-49.

[8] Fahdiansyah, R., Qudsi, J., & Bachtiar, A. (2018). Ownership Structure and Company Value: (Study of Manufacturing Companies Listed on the Indonesian Stock Exchange).*Variant Journal*, 1(2), 41-49.

[9] Ghozali, I. (2018). Analytics Application*Multivariate* With IBM SPSS Program 25 (9th ed.). Diponegoro University Publishing Agency.

[10] Ghozali, Imam. 2011. “Applications of Multivariate Analysis with the IBM SPSS 19 Program. Fifth Edition. Semarang: Diponegoro University Publishing Agency.

[11] Hairi, T. (2019). The Influence of Capital Structure, Profitability and Company Size on Company Value in the Food and Beverage Sector Listed on the Indonesia Stock Exchange (IDX) for the 2013-2017 period. Tirtayasa Economics, 14(2), 171-186.

[12] Hartini, S., Yuli Tri Cahyono. (2017). The Influence of Managerial Ownership, Institutional Ownership, Dividend Policy, Debt Policy, and Firm Size on Firm Value (Empirical Study of Manufacturing Companies Listed on the Indonesia Stock Exchange 2012-2015).

[13] Hermato, Wawan and , Yuli Tri Cahyono. (2015). Effect of Institutional Ownership, Firm Size,*leverage* Against Earnings Management (Empirical Study of Manufacturing Companies Registered in Bei in 2010-2013).

[14] Hidayat, I., & Khotimah, K. (2022). Effect of Profitability and Company Size on Company Value in the chemical sub-sector.*Unitary Accounting Scientific Journal*, 10(1), 1 - 8.

[15] Irawan, D., & Kusuma, N. (2019). Effect of Capital Structure and Company Size on Firm Value.*Actual Journal*, 17(1), 66-81.

[16] Cashmere. (2019). Financial Statement Analysis. First Edition. Twelfth Printing. PT Raja Grafindo Persada. Jakarta.

[17] Meli, M. (2020). Effect of Company Characteristics on Firm Value with Capital Structure as a Variable*Intervening*. *STEI Journal of Economics*, 29(01), 79-89.

[18] Oktyawati, D., & Agustia, D. (2014). Profitability Influence,*Leverage*, and Company Value of*Income Smoothing* and*Return* Shares in Manufacturing Companies listed on the Indonesia Stock Exchange (IDX).*Journal of Accounting and Auditing*, 10(2), 195-214.

[19] Sahara, H., Titisari, K. H., & Siddi, P. (2022). Effect of Firm Size, Profitability, Capital Structure,*Leverage* and Institutional Ownership of Company Value.*Owner: Accounting Research and Journal*, *6*(1), 322-335.

[20] Sugiyono. (2012). Management Research Methods. Bandung : Alphabet.

[21] Sugiyono. (2018). Quantitative, Qualitative Research Methods and R&D, Alfabeta publisher, Bandung.

[22] Sugiyono. (2018). Quantitative Research Methods. Bandung: Alphabet.

[23] Sunaryo, D. (2020). The Influence of Capital Structure and Profitability on Company Value in the Food and Beverage Sector Listed on the Indonesia Stock Exchange (IDX) for the 2013-2018 period.*Journal of Vocational Economics*, 3(1), 18-35.

[24] Suwardika, I. N. A., & Mustanda, I. K. (2017). Effect of leverage, company size, company growth, and profitability on firm value in property companies (Doctoral dissertation, Udayana University).

[25] Tarjo. (2008). “The Effect of Institutional and Ownership Concentration*Leverage* Against Profit Management, Shareholder Value as well*Cost of Equity Capital*”. National Symposium on Accounting XI. Pontianak.

[26] Tri Wahyuni, Endang Ernawati, S.E., M.Sc., and Dr. Werner R. Murhadi, S.E., M.M (2013). Factors Affecting Company Value in the Property, Real Estate and Building Constructions Sectors Listed on the IDX for the period 2008 – 2012,*University of Surabaya Student Scientific Journal* Vol.2 No.1 (2013).

[27] Widarjo Wahyu. (2010). Influence*Ownership Retention*, Investment and*Proceeds* and Auditor's Reputation on Firm Value with Managerial and Institutional Ownership as Moderating Variables. Eleven March University thesis, Central Java.

[28] Yegon, C., Sang, J., and Kirui. (2014). The impact of corporate governance on agency cost: empirical analysis of quoted servicws firms in Kenya. Research Journal of Finance and Accounting, 5(12):145-154.

[29] Yuniastri, N. P. A., Endiana, I. D. M., & Kumalasari, P. D. (2021). The Influence of Profitability, Dividend Policy, Investment Decisions, Capital Structure and Company Size on Company Value in Manufacturing Companies Listed on the Indonesia Stock Exchange for the 2017-2019 Period. KARMA (Accounting Student Research Work), 1(1).