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The Effect of Capital Structure on Company Performance and the Impact of the Stock Market Value of the Manufacturing Industry Listed on the Indonesia Stock Exchange.

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ABSTRACT

Capital structure decisions are fundamental to the survival of the company. This study is to determine the effect of capital structure on company performance and the impact of stock market value from manufacturing industries listed on the Indonesia stock exchange. Data obtained from the company's annual reports from 2015 - 2019, descriptive analysis with a quantitative approach, with the sampling technique used by 10 companies using the purposive sampling method. As for the analysis tool using Path analysis, these findings reveal that each of the following (1) Debt to Equity Ratio has a negative and insignificant effect on Return on Assets. (2) Asset Growth has no significant positive effect on Return on Asset. (3) Debt to Equity Ratio and Asset Growth together (simultaneously) have no significant effect on Return on Asset (4) Return on Asset has no significant effect on Price Book Value. This study is expected to contribute to the company, improve company performance, and maintain good and efficient working capital so that investors are interested in investing in the company. Future researchers can carry out similar research in small and medium scale industries.

Keywords: Performance, Company Survival, Stock Market Value, Capital Structure

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INTRODUCTION

Companies are required to carry out proper management of important functions that exist within the company to make adjustments to the circumstances that occur in order to gain an edge in the competition faced in the current era of globalization. Every company wants to have good management so that the company's goals can be achieved. In running its business, the company has several important aspects, one of which is the financial aspect, the financial aspect has a very vital role regarding the company's capital structure, namely the balance of sources to pay attention to is how much the ability to meet the needs for funds that will be used to carry out operational activities. and develop their business. Financial managers must be careful and take careful account so that investment and funding decisions can achieve company goals.

In this study the authors took from the field of food and beverages (F&B) companies because these companies have product characteristics that are often used by many people and have resilience in facing various policies so that it is almost certain that the company's products are still purchased and in demand by the public.

There are quite a lot of Food and Beverages (F&B) listed on the Indonesia Stock Exchange compared to companies in other fields. The sampling process is with the criteria that the company is engaged in the Consumer Goods Industry Sector, the company is engaged in the Foods and Beverages Sub-Sector, the total population is 31 issuers, companies that are listed as the main listing company, and Issuers that have been registered for more than 5 (five) years are registered with IDX then drawn a sample of 10 Food and Beverages companies. (F&B).

Value of Debt-to-Equity Ratio for Food and Beverages (F&B) Companies in 2015-2019. The highest DER value is PT. Tunas Baru Lampung Tbk. In 2016 with a value of 2.68, from year to year the DER value of PT. Tunas Baru Lampung Tbk. shows a DER ratio above number 1 or above 100% or even up to a ratio above number 2, meaning that the higher the DER indicates the composition of the amount of debt / liabilities is greater than the total amount of net capital it has, resulting in a large burden on the company to outsiders as well.

The increasing liability burden on outsiders shows that the company's sources of capital are highly dependent on outside parties. If the company cannot manage its debt properly and optimally, it will have a negative impact on the company's financial health condition. The lowest DER value is PT. Ultra Jaya Milk Industry Tbk. from year to year the decline means Ultra Jaya Milk Industry Tbk. This means that a company that is financially healthy is indicated by a DER ratio below number 1 or below 100%, the lower the DER ratio, the better. A low DER indicates that the company's debt / liability is smaller than all of its assets, so that in undesirable conditions (such as bankruptcy), the company can still pay off all debts /liabilities.

The main goal of the company is to maximize the wealth or value of the company, this is reflected in the present value of all the company profits expected in the future. The value of the firm depends not only on the ability to generate cash flow, but also on the operational and financial characteristics of the company being taken over. Several quantitative variables that are often used to estimate the value

of a company are book value which is used to measure the value of shareholders equity for each share.

Food And Beverages (F&B) Companies 2015-2019. The highest PBV value is PT. Multi Bintang Indonesia Tbk. In 2019 from year to year it has increased, meaning that PT. Indofood Sukses Makmur Tbk means that high PBV makes the company value high as well. A high company value will make the market believe not only in the company's current performance but also in the company's future prospects. The lowest PBV value is PT. Wilmar Cahaya Indonesia Tbk. In 2019 from year to year, PT. Wilmar Cahaya Indonesia Tbk. The less-than-optimal PBV value makes the market less trusting in the company's current performance. The research objectives consisted of knowing the effect of capital structure on profitability, the study took the title: The Effect of Capital Structure on Company Performance and the Impact of the Stock Market Value of the Manufacturing Industry Listed on the Indonesia Stock Exchange.

LITERATURE REVIEW

This research is supported by several theories. These are management theory, agency theory, trade-off theory, pecking order theory, and signal theory. Agency theory is associated with firm performance while Trade-Off Theory and Pecking Order Theory are associated with capital structure and internal funding compared to external funding carried out by managers of these companies and the expected impact on improving their performance (Brigham & Houston, (2004), Robert (1997)

A. Management

Management is a joint effort to determine and achieve organizational goals by implementing the planning, organizing, actuating, and controlling functions. Management is an activity; the implementation is called management and the person who does it is called a manager (Afandi, 2018)

1). Financial management

According to Agus Sartono (2015: 6), Financial Management can be defined as good fund management related to the allocation of funds in various forms of investment effectively as well as efforts to collect for investment financing or efficient learning.

2). Analysis of financial statements

Analysis tools are often used to determine the condition and financial performance of the company. The benchmark is usually by comparing the increase or decrease in performance between two statements of financial position in two specific time periods.

According to Marjohan, Masno (2016: 3,5) Financial ratio analysis is an important and popular and widely used company financial analysis tool. The types of company financial report ratios are as follows:

a. The liquidity ratio is a ratio that measures a company's ability to meet its short-term obligations. Reports in the form of analysis of the Acit Test Ratio, Cash Ratio, Current Ratio and Working Capital to Total Asset.
b. Solvency ratio is the solvency of a company which indicates the company's ability to meet its short-term and long-term bank financial obligations if the company is liquidated. Reports in the form of Total Debt to Assets (DAR), Total Debt to Equity (DER), Times Interest Earned (TIE)
c. Activity Ratio, activity ratio is a ratio used to measure the effectiveness of a company in using its assets, including to measure the level of efficiency of the

company in utilizing existing resources. This ratio is also used to assess the company's ability to carry out daily activities. Analysis reports in the form of Total Asset Turn Over (TATO), Working Capital

d. Turn Over (WCTO), Total Equity to Total Asset (EA), Inventory Turn Over. (ITO)
e. Profitability ratios, profitability ratios compare the income statement and category accounts to show the company's ability to generate profits from its operations. Analysis reports in the form of Gross Margin Ratio, Profit Margin Ratio, Return on Equity (ROE), Return on Assets (ROA), Earning Power of to Total Investment (EPTI).
f. Market Value Ratio is the market value ratio used to evaluate the current share price of publicly held company shares, this ratio is also used by current and potential investors to determine whether the company's shares are priced above or below the price. Analysis reports in the form of Dividend Payout Ratio, earning per Share Ratio, Market Value Added, Net Worth Ratio, Price Earnings Ratio.

B. Previous Research

The study of relevant previous research in this study is intended to provide an overview of the position and feasibility of research on the influence of capital structure and company growth which has an impact on the value of manufacturing firms in the food and beverage industry sector.

C. Framework of Mind

The framework of mind is basically trying to explain the constellation of the relationship between the variables to be studied. Based on literature review and previous research results, the conceptual framework analysis model can be described as follows:

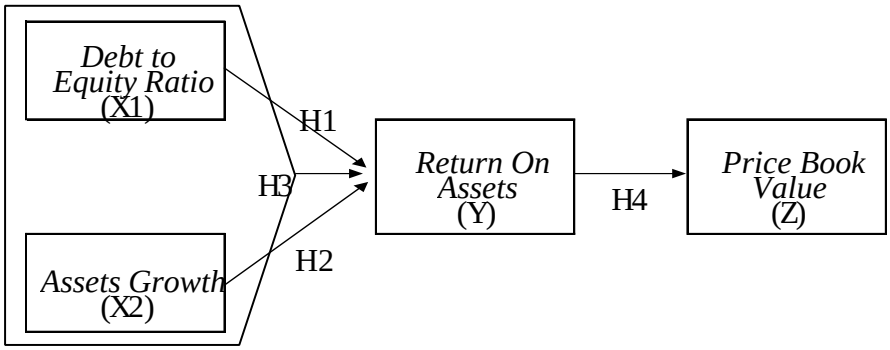

Figure 2.1 Framework of Mind

D. Research Hypothesis

According to Sugiyono (2015), a hypothesis is a presumed or temporary conclusion that will only be proven by empirical research. The provisional estimates in this study are as follows:

1) Researcher's argument against the capital structure (DER) hypothesis on profitability (ROA)
   Ho: Capital structure has a significant effect on profitability
   H1: Capital structure has no significant effect on profitability
2) Researcher's argument against the Asset Growth (AG) hypothesis on Profitability (ROA)
   Ho: Asset growth has a significant effect on profitability
   H1: Asset growth does not have a significant effect on profitability

3) It is suspected that Capital Structure and Company Growth together have an effect on profitability in the Consumer Goods Industry Sector, Food and Beverages Sub-Sector companies listed on the Indonesia Stock Exchange for the period 2015 - 2019
   Ho: Capital structure has a significant effect on profitability
   H1: Capital structure has no significant effect on profitability
   Ho: Asset growth has a significant effect on profitability
   H1: Asset growth does not have a significant effect on profitability
4) It is suspected that Return on Assets (ROA) has an effect on Price Book Value (PBV) in the Consumer Goods Industry, Food and Beverages Sector companies listed on the Indonesia Stock Exchange for the period 2015 - 2019.
   Ho: Profitability has a significant effect on firm value
   H1: Profitability has no significant effect on firm value

RESEARCH METHOD

A. Type of Research

This research uses associative quantitative research because the data obtained from numbers aims to determine the effect or relationship between two or more variables, namely The Effect of Capital Structure on Company Performance and the Impact of the Stock Market Value of the Manufacturing Industry Listed on the Indonesia Stock Exchange.

B. Population and Sample

1). Population

The population in this study is the data and financial reports of the Food and Beverages Sub-Sector companies listed on the Indonesia Stock Exchange (BEI) for the period 2015-2019.

2). Samples

In this research, the sample used in this research is the financial statements of the Food and Beverage Sub-Sector Companies Listed on the Indonesia Stock Exchange (BEI) for the 2015-2019 period with the following criteria:

a) Consumer Goods Industry, Food and Beverages (F&B) Sector Companies Listed on the Indonesia Stock Exchange (IDX).
b) Food and Beverages Sub-Sector Companies with the criteria for Main Listing Listed on the
   Indonesia Stock Exchange (IDX)
c) Food and Beverages (F&B) Sub-Sector Companies Listed on the Indonesia Stock Exchange (IDX) that issue annual financial reports for 5 (five) consecutive years for the 2015-2019 Period.
d) Food and Beverages (F&B) Sub-Sector Companies Listed on the Indonesia Stock Exchange (IDX) that have a value of Debt-to-Equity Ratio (DER), Assets Growth (AG), Return on Assets (ROA), and Book Value (BV) for 5 (five) consecutive years

From the results of determining the criteria for a sample of 50 companies, the Food and Beverages (F&B) sub-sector companies that meet the requirements to be sampled in this study are 10 companies.

C. Research Methods

The method used in this research is descriptive analysis method with a quantitative approach, namely the results of the research which are then processed and analyzed to draw conclusions, meaning that the research carried out is research

that emphasizes its analysis on numerical data (numbers). By using this research method, a significant relationship will be identified between the variables studied, resulting in conclusions that will clarify the description of the object to be studied.
The picture of framework above can explain the relationship of the variables between 4 variables, namely 2 independent variables
(X1 and X2) and 2 dependent variables (Y) and Z.
X1 : Debt to Equity (DER)
X2 : Asset Growth (AG)
Y : Return on Assets (ROA)
Z : Price Book Value (PBV)

RESULTS

1). Descriptive statistics
Descriptive statistics provide an overview of the research objects sampled. The following is a sample table of research data
Explanation of the data through descriptive statistics is expected to provide an initial picture of the data under study. Statistics are focused on the maximum, minimum, average (mean) and standard deviation values. Complete descriptive statistics can be seen in

Table 4.1
Descriptive Statistics of DER, AG, ROA and PBV
Food and Baverage company 2015-2019

	DER	AG	ROA	PBV
Mean	0.989400	0.094000	0.124600	1.491600
Median	0.900000	0.090000	0.110000	0.925000
Maximum	2.680000	0.560000	0.530000	5.410000
Minimum	0.160000	-0.160000	-0.060000	0.000000
Std. Dev.	0.703961	0.122824	0.119407	1.777521
Skewness	0.677157	0.992762	1.527542	1.050031
Kurtosis	2.544610	5.850163	5.627375	2.719525
Jarque-Bera	4.253217	25.13695	33.82634	9.351926
Probability	0.119241	0.000003	0.000000	0.009317
Sum	49.47000	4.700000	6.230000	74.58000
Sum Sq. Dev.	24.28248	0.739200	0.698642	154.8195
Observations	50	50	50	50

Source: Eviews Analysis, 2019 data processing results

From the table above, based on the processing carried out by the researcher, it can be interpreted that for variable X1 with the amount of data as many as 50 from 10 companies for 5 years as the research sample, it is known that the average (mean) Debt to Equity Ratio is 0.989400, the value the middle (median) is 0.900000, the minimum value is 0.160000, the maximum value is 2.680000 and the standard deviation is 0.703961. Asset Growth (X2), then for the Asset Growth variable the average (mean) is 0.094000, the middle value (median) is 0.090000, the minimum value is -0.160000, the maximum value is 0.560000 and the standard deviation is 0.122824. Return On Asset (Y), then the average (mean) on the Return on Asset variable based on the data processed by the researcher is 0.124600, the median value is 0.110000, the minimum value is 0.060000, the maximum value is 0.530000

and the standard deviation is equal to 0.119407. Price book value (Z), then the average Price book Value (PBV) of the Food and Beverages company is 1.491600 and the standard deviation is 1.777521, where the standard deviation value is greater than the average value, this condition indicates fluctuations in Price book Value in Food companies and Bevarages to be sampled.

2). Classical Assumption Test for DER, AG, ROA and PBV variables

a. Normality test

Looking at the normal probability plot graph display above, it can be concluded that the JarqueBera probability result is 0.000000, which means it is smaller than the significance level of 0.05, so it can be said that there is data that is not normally distributed.

b. Multicollinearity Test

Based on the results of the Eviews output, it is found that the VIF value of the DER variable (1.003361 <10.00), AG (1.003361 <10.00) indicates that there is no multicollinearity between the independent variables in the regression model. which means that H0 is accepted and Ha is rejected, that there is no multicollinearity between the independent variables in the regression model.

c. Heteroscedasticity Test

From the results of the table above, it can be seen that the probability value of each variable is greater than α = 5% or> 0.05. This can be seen from the probability X1 (DER) of 0.0636> 0.05, the probability X2 (AG) of 0.5290> 0.05, where these values are greater than 0.05, this proves that the regression model shows no heteroscedasticity.

d. Autocorrelation Test

Based on the results of the correlation test of 50 data on food and beverage (F&B) companies on the Indonesia Stock Exchange with the variable Debt to Equity Ratio (DER), Asset Growth (AG) to Return on Asset (ROA) to Price Book Value (PBV) in observation from 2015-2019, in the correlation test above, it can be seen that the correlation value between these variables is still below the 95% confidence interval (0.9500), which means that there is no autocorrelation.

3). Estimation of Panel Data Regression Analysis Method for Variable Debt to Equity Ratio (DER), Asset Growth (AG) and Return on Asset (ROA)

Equation Estimation is used to perform empirical analysis which is not possible if only using time series or cross-saction data. The following are the results of the panel data regression model as follows:

a. Common Effect Model

Based on the common effect model, it has a constant value of 0.145590 while the regression coefficient value of Debt-to-Equity Rato (DER) is -0.024464, Asset Growth (AG) is 0.034198 so the regression equation is:

ROA = 0.145590 + (-0.024464) DER + 0.034198 AG

b. Fixed Effect Model

Based on the Fixed Effect Model it has a constant value of 0.142744, while the variable regression coefficient value Debt to Equity (DER) is -0.024225. The regression coefficient for the Asset Growth (AG) variable is 0.061959, so the regression equation can be made as follows: ROA = 0.142744 + (-0.024225) DER + 0.061959 AG

c. Random Effect Model

Based on the Random Effect Model, it has a constant value of 0.142848, while the regression coefficient value of the Debt to Equity Ratio (DER) variable is -0.024256, while the regression coefficient value of the variable Asset Growth (AG) is 0.061182 So that the regression equation can be made as follows:ROA = 0.142848 + 0.024256 DER + 0.061182 AG

Discussion of Research Results

1. The effect of the variable Debt to Equity Ratio (DER) on Return on Assets (ROA) partially The DER variable partially has a negative and insignificant effect on ROA (Return on Asset), as indicated by the value of the t count is smaller than the t table (-0.903359 <2.01290) and the probability significance value of 0.3709> 0.05. This is in line with previous research conducted by (Victor, P. Tandi1, 2018) which states that capital structure has no significant effect on profitability, but this research is not in line with previous research conducted by (Resi Yanuesti Violita and Sri Sulasmiyati, 2017) which states that capital structure has a significant effect on profitability in the analysis of the Effect of Capital Structure on Profitability.

2. Effect of Asset Growth (AG) on Return on Assets (ROA) ı
   The variable Asset Growth (AG) is partially positive and not significant to ROA (Return on Asset), it is indicated by the value of the t count is smaller than the t table (1.029293 <2.01290) and the probability significance value of 0.3086> 0.05. This is in line with previous research conducted by (Ni Luhu Putu, 2017) which states that company growth does not have a significant effect on profitability, but this research is not in line with previous research conducted by (Ririn Erin Wahyuni, 2017) which states that company growth significant effect on profitability on the analysis of the influence of growth per profitability.

3. Effect of Debt to Equity (DER) and Asset Growth (AG) on Return on Assets (ROA) The variable Debt to Equity (DER) and Asset Growth (AG) simultaneously have an insignificant effect between the independent variables on the independent variables, as indicated by the value of the result of F count = 0.822357 with a probability of 0.445617, then F count <from F table, namely (0.822357> 3.20) and also shown by the probability value is greater than the significant level of 0.05 (0.445617 <0.05), or an effect of 82.23% or 17.76% is not examined. This is in line with previous research conducted by (Ni Luhu Putu, 2017) which states that capital structure and company growth have no significant effect on profitability, but this research is not in line with previous research conducted by (Ririn Erin Wahyuni, 2017) which states that that capital structure and company growth have a significant effect on profitability in the analysis of capital structure, the effect of growth on profitability.

4. The effect of Return on Asset (ROA) on Price Book Value (PBV) Variable Return on Asset (ROA) partially has no significant effect on Price Book Value (PBV), indicated by the value of the result t count <from t table, namely (-0.187894 <2.01290 and with a significance value (probability) 0.8518> 0.05. This is in line with previous research conducted by (Batista, 2016) which states that company growth has no significant effect on profitability, but this study is not in line with previous research conducted by (Ni Luhu Putu, 2017) which states that company growth has a significant effect on profitability in the analysis of the influence of growth on profitability.

CONCLUSION

The test results show that the Debt-to-Equity Ratio (DER) has a negative and insignificant effect.

Return on Assets (ROA), Asset Growth (AG) have a positive and insignificant effect on Return on Assets (ROA). Debt to Equity Ratio and Asset Growth simultaneously has no significant effect on Return on Assets, and Return on Assets has no significant effect on Price Book Value.

With regard to the conclusion, the results of this study are expected to provide information to investors or potential investors to be more careful in paying attention to the aspects of Debt-to-Equity Ratio, Asset Growth, Return on Asset, Price Book Value, and are expected to be taken into consideration at Food and Beverage Companies. F&B) in making business decisions, especially those related to Debt-to-Equity Ratio, Asset Growth, Return on the asset, and Price Book Value. The business decision focuses on how much Price Book Value the Food and Beverages (F&B) Sub-Sector company will give so that investors can take an interest in the company.

Future research should use a larger sample of companies, not only in the Food and Beverages subsector. In addition, further research should use a longer period of time to identify the relationship between Debt-to-Equity Ratio, Asset Growth, Return on Asset, and Price Book Value.

Theoretical and Empirical Implications of Research Results Based on the results of the analysis and discussion of this research which is expected to contribute to the development of investment theory, the theoretical implications that can be put forward in this study are to increase firm value in the capital market by using the internal factor model of firm value.

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