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The Effect of Earning Power, Company Size, Leverage, Capital Structure, and Liquidity on Company Value with Profit Growth as a Moderating Variable in Manufacturing Companies Listed on the Indonesia Stock Exchange in 2019-2021

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Abstract: Firm value is a study conducted by investors to assess the success and performance of the company which is reflected through the stock price in the market. This study aims to analyze the effect of earning power, company size, leverage, capital structure, and liquidity on company value with profit growth as a moderating variable in manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2021 period. The sampling technique used in this research is purposive sampling. Companies that meet the criteria in this study are 80 companies. This research uses analytical methods, namely multiple linear regression analysis and moderated regression analysis. The result of this study are that earning power, capital structure, and leverage. Meanwhile, firm size and leverage affect firm value, and pforit growth can moderate earning power and liquidity.

Abstrak: Nilai perusahaan merupakan sebuah penelitian yang dilakukan oleh investor untuk menilai keberhasilan dan kinerja perusahaan yang tercermin melalui harga saham di pasar. Penelitian ini bertujuan untuk menganalisis pengaruh earning power, ukuran perusahaan, leverage, struktur modal, dan likuiditas terhadap nilai perusahaan dengan pertumbuhan laba sebgai variabel moderating pada perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia (BEI) periode tahun 2019-2021. Teknik pengambilan sampel yang digunakan pada penelitian adalah purposive sampling. Perusahaan yang memenuhi kriteria pada penelitian ini sebanyak 80 perusahaan. Penelitian ini menggunakan metode analisis yaitu analisis regresi linear berganda dan uji moderated regression analysis. Hasil penelitian ini yaitu earning power, struktur modal, dan likuiditas tidak berpengaruh terhadap nilai perusahaan serta pertumbuhan laba tidak dapat memoderasi ukuran perusahaan, struktur modal, dan leverage. Sedangkan ukuran perusahaan dan leverage berpengaruh terhadap nilai perusahaan , serta pertumbuhan laba dapat memoderasi earning power dan likuiditas.

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INTRODUCTION

Indonesia is a developing country located in Southeast Asia which has a low economic level. The designation of a developing country for Indonesia is due to the large number of people who have a culture of wasting money rather than investing. Indonesian people are still unfamiliar with the term investment and think that investing is wrong in managing money. This mistake is the low public interest in investing. In Indonesia, there are many investment options that can be made by potential investors. However, not all investors want to invest their money in the company. There are several things that investors look at before they decide to invest in a company. Company competition is getting tougher and more difficult so that managers are required to make the right decisions for companies to be able to achieve their goals. The company has two goals, namely long-term goals and short-term goals.

Company value is important for a manager because it is a benchmark for the work achievements that have been carried out by a manager. According to Husnan (2008) company value is the price paid by prospective buyers if the company is sold. Firm value is an assessment made by investors to assess the success and performance of the company which is reflected through the stock price in the market. The factors that affect the value of a company such as earning power, company size, leverage, capital structure, and liquidity.

Earning power is the ability to determine business performance by looking at the scale in generating profits. If the profitability is high then the return on investment will be high, that is what investors want.

Large and well-established company size will determine profitability and stability, easier access to capital markets and lower transaction costs compared to small start-up companies (Weston and Copeland, 2008). The larger the size of the company is considered, the easier it is for the company to secure internal and external sources of funding.

Easier access to funding sources will allow large companies greater flexibility and the ability to raise funds in a short time. If funds can indeed be managed optimally to produce good trading results, then it can attract potential investors to invest their shares in the company. This will equal an increase in the value of the company.

Leverage is a factor that affects the value of a company. From increased profit to a company that requires leverage. This becomes the company's policy in terms of the extent to which the company uses debt financing. The higher the value of the company, the higher the level of debt. The company obtains sources of funds from within the company in the form of depreciation of profits and retained earnings, while sources of funds from outside the company are in the form of debt and issuance of shares. In general, companies that finance too much with debt are considered unhealthy because they reduce profits.

Capital structure is a comparison or balance of long-term debt with own capital (Riyanto, 2001). An effective determinant of capital structure also influences the company's performance to achieve its goals. The accumulation of debt by the company will certainly increase the risk that the company will receive, but this also provides a higher rate of return. According to Hanafi (2014) explains that in the agency theory approach, the capital structure is structured in such a way as to reduce conflicts between various interest groups. There are also conflicts between shareholders and managers, for example the concept of free cash flow.

According to Harahap (2014) liquidity can describe a company's ability to settle its short-term obligations. Liquidity shows the extent to which current assets cover current liabilities. The greater the ratio between current assets and current liabilities, the higher the company's ability to cover its short-term liabilities. Liquidity problems can arise if the company cannot meet its short term obligations.

According to Harahap (2015: 310) profit growth is a ratio that shows the company's ability to increase net income compared to the previous year. Profit is a measure of the performance of a company, the higher the profit achieved, indicates the better the company's performance. Thus investors are interested in investing their capital. The value of the company as market value because of this the company can provide maximum prosperity to shareholders if the company's share price increases.

This research is a replication of research entitled "The Influence of Liquidity and Leverage on Firm Value with Profitability as an Intervening Variable in manufacturing companies listed on the Indonesia Stock Exchange for the 2014-2018 period". The difference with this research is that the researchers added earning power, company size, and capital structure variables, and changed the intervening variable profitability to profit growth as a moderating variable. Researchers also use the latest data, namely in 2019-2021. So the title of this research is "Effect of Earning Power, Company Size, Leverage, Capital Structure, and Liquidity on Company Value with Profit Growth as a Moderating Variable in Manufacturing Companies Listed on the IDX in 2019-2021".

METHODS

Population, sample, and technique taking the sample

The population in this study were 80 manufacturing companies listed on the Indonesia Stock Exchange. The form of this research is quantitative research in the form of annual reports with a sample of manufacturing companies listed on the Indonesian Stock Exchange for the 2019-2021 period. The data in this study are secondary data obtained through the documentation method on the official website of the Indonesia Stock Exchange (www.idx.com) and the official website of each company. The purposive sampling method in this study was used as the sampling method.

In this study the hypothesis testing using multiple regression analysis and moderate regression analysis. Multiple linear regression method is used to determine the correlation of each independent variable to the dependent variable.

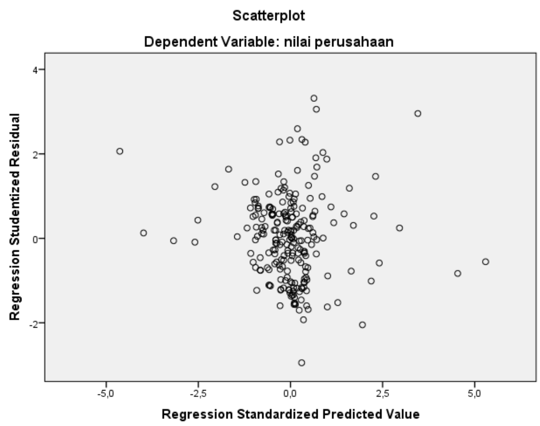
$$\mathbf{NP} = \boldsymbol{\alpha} + \boldsymbol{\beta}_1\mathbf{X}_1 + \boldsymbol{\beta}_2\mathbf{X}_2 + \boldsymbol{\beta}_3\mathbf{X}_3 + \boldsymbol{\beta}_4\mathbf{X}_4 + \boldsymbol{\beta}_5\mathbf{X}_5 + \boldsymbol{\varepsilon}$$

Moderated Regression Analysis is a data analysis technique used to find out whether the moderating variable can strengthen or weaken the independent variable on the dependent variable.

$$NP = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_1X_1.Z + \beta_2X_2.Z + \beta_3X_3.Z + \beta_4X_4.Z + \beta_5X_5.Z + \varepsilon$$

RESULTS AND DISCUSSION

Statistical testing with multiple regression analysis requires a classic assumption test before the regression test is carried out. The test results using Kolmogrov Smirnov obtained a probability in the moderation model of 0.073 and in the non-moderation model of 0.200. Both moderation and non-moderation models have a probability value of >0.05, which means that the two models are declared normal distribution. The multicollinearity test results have a tolerance value of 0.871-0.968 and a VIF value of 1.033-1.149, so it can be concluded that there is no multicollinearity. The results of the autocorrelation test in this study were 1.948 which means 1.8854 < d < 2.1146 so that this study was categorized as non-autocorrelation. The results of the heteroscedasticity test using the scatterplot method show that most of the points converge in the middle area. In addition, the dots that spread on the right and left also do not have a certain pattern, so it is concluded that there is no heteroscedasticity. The scatterplot image can be seen below:



Picture 1: scatterplot

Table 1. Multiple Linear Regression Test and t

Model	Unstandardized Coefficients B	t	Sig.
ROA	-0,015	-1,196	0,233
SIZE	-0,077	-2,007	0,046
DER	0,180	3,183	0,002
DAR	-0,87	-0,410	0,682
CR	0,003	1,350	0,178

Source: Processed data (2023)

a. Effect of earning power on firm value
The influence of earning power on firm value has a calculated t value of -1.196 with a probability value of 0.233. The earning power variable has a coefficient of -0.015. Probability value = 0.233 > α = 0.05. This means that earning power has no significant effect on firm value. Based on this explanation then:
Hypothesis 1: earning power has a negative effect on firm value, is rejected.
b. Effect of firm size on firm value
The effect of firm size on firm value has a calculated t value of -2.007 with a probability value of 0.046. The variable firm size has a coefficient of -0.077, the coefficient is negative, that is, the better the size of the company, the worse the value of the company. Probability value = 0.046 < α = 0.05. This means that company size has a significant effect on firm value. Based on this explanation:
Hypothesis 2: firm size has a negative effect on firm value, is accepted.
c. Effect of leverage on firm value
The effect of leverage on firm value has a calculated t value of 3.183 with a probability value of 0.002. The leverage variable has a coefficient of 0.180, the coefficient is positive, that is, the better the leverage, the better the firm value. Probability value = 0.002 < α = 0.05. This means that leverage has a significant effect on firm value. Based on this explanation then:
Hypothesis 3: leverage has a positive effect on firm value, is accepted.
d. Effect of capital structure on firm value
The effect of capital structure on firm value has a t-value of -0.410 with a probability value of 0.682. The capital structure variable has a coefficient of -0.087, the coefficient is negative, that is, the better the capital structure, the worse the company's value. Probability value = 0.682 > α = 0.05. This means that the capital structure has no significant effect on firm value. Based on this explanation then:
Hypothesis 4: capital structure has a negative effect on firm value, is rejected.
e. Effect of liquidity on firm value
The effect of liquidity on firm value has a t-count value of 1.350 with a probability value of 0.178. The liquidity variable has a coefficient of 0.003, the coefficient is positive, that is, the better the liquidity, the better the company's value. Probability value = 0.178 > α = 0.05. This means that liquidity has no significant effect on firm value. Based on this explanation then:
Hypothesis 5: liquidity has a positive effect on firm value, is rejected.

Table 2. F test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14	5	3	3,381	0,006

Source: Processed Data (2023)

From the ANOVA test or F test, the calculated f value is 3.381 with a probability value of 0.006. Because this significance value is less than 0.05, this means that earning power, firm size, leverage, capital structure, and liquidity simultaneously or together have a significant influence on firm value.

Table 3. R test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,265	0,070	0,050	0,922

Source: Processed Data (2023)

The results of the regression test showed an adjusted R2 value of 0.05 or 5%. This shows that 5% of the firm's value can be explained by the variables of earning power, company size, leverage, capital structure, and liquidity. While the rest is explained by other factors outside the research model.

Table 4. MRA

Model	Unstandardized Coefficients B	t	Sig.
ROAxPG	-1,507	-2,476	0,014
SIZExPG	-4,20E-04	-0,028	0,977
DERxPG	-0,042	-1,405	0,162
DARxPG	0,513	1,687	0,093
CRxPG	0,004	2,141	0,033

Source: Processed Data (2023)

a. The effect of ROAxPL on firm value
The effect of ROAxPL on firm value has a calculated t value of -2.476 with a probability value of 0.014. The ROAxPL variable has a coefficient of -1.507, the coefficient is negative, that is, the better the ROAxPL, the worse the company's value will be. Probability value = 0.014 < α = 0.05. This means that ROAxPL has a significant effect on firm value or PL(profit growth) moderates the effect of ROA(earning power) on firm value. Based on this explanation then:
Hypothesis 6: PL(profit growth) moderates the effect of ROA(earning power) on firm value, accepted.
b. The effect of SIZExPL on firm value
The effect of sizexPL on firm value has a calculated t value of -0.028 with a probability value of 0.977. The sizexPL variable has a coefficient of 0.000, the coefficient is negative, that is, the better the sizexPL, the worse the company's value. Probability value = 0.977 > α = 0.05. This means that sizexPL has no significant effect on firm value. or PL(profit growth) does not moderate the effect of size(company size) on firm value. Based on this explanation then:
Hypothesis 7: PL(profit growth) moderates the effect of size(company size) on firm value, rejected.
c. The effect of DERxPL on firm value
The effect of DERxPL on firm value has a calculated t value of -1.405 with a probability value of 0.162. The DERxPL variable has a coefficient of -0.042, the coefficient is negative, that is, the better the DERxPL, the worse the company's value. Probability value = 0.162 > α = 0.05. This means that DERxPL has no significant effect on firm value. or PL(profit growth) does not moderate the effect of DER(capital structure) on firm value. Based on this explanation then:
Hypothesis 8: PL(profit growth) moderates the effect of DER(capital structure) on firm value, is rejected.
d. Effect of DARxPL on firm value
The effect of DARxPL on firm value has a calculated t value of 1.687 with a probability value of 0.093. The DARxPL variable has a coefficient of 0.513, the coefficient is positive, that is, the better the DARxPL, the better the company's value. Probability value = 0.093 > α = 0.05. or PL(profit growth) does not moderate the effect of DAR(leverage) on firm value. Based on this explanation then:
Hypothesis 9: PL(profit growth) moderates the effect of DAR(leverage) on firm value, is rejected.
e. The effect of CRxPL on firm value
The effect of CRxPL on firm value has a calculated t value of 2.141 with a probability value of 0.033. The CRxPL variable has a coefficient of 0.004, the coefficient is positive, that is, the better the CRxPL, the better the company's value. Probability value = 0.033 < α = 0.05. This means that CRxPL has a significant effect on firm value. or PL(profit growth) moderates the effect of CR(liquidity) on firm value. Based on this explanation then:
Hypothesis 10: PL(profit growth) moderates the effect of CR(liquidity) on firm value, accepted.

Table 5. F test

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	34	11	3	3,913	0,000

Source: Prcocessed Data (2023)

From the ANOVA test or F test, the calculated f value is 3.913 with a probability value of 0.000. Because this significance value is less than 0.05, this means that earning power, firm size, leverage, capital structure, liquidity, profit growth, ROAxPL, sizexPL, DERxPL, DARxPL, and CRxPL simultaneously or together have a significant influence on the value company.

Table 6. R test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,407	0,166	0,123	0,886

Source: Processed Data (2023)

The results of the regression test showed an adjusted R2 value of 0.123 or 12.3%. This shows that 12.3% of firm value can be explained by the variables of earning power, company size, leverage, capital structure, liquidity, profit growth, ROAxPL, sizexPL, DERxPL, DARxPL, and CRxPL. While the rest is explained by other factors outside the research model.

CONCLUSION

Based on the results of data analysis and discussion of the effect of earning power, company size, leverage, capital structure, and liquidity on firm value with profit growth as a moderating variable in manufacturing companies listed on the IDX for the period 2019 to 2021, it can be concluded that earning power, capital structure , and liquidity has no effect on firm value, and profit growth cannot moderate company size, capital structure, and leverage. Meanwhile, firm size and leverage affect firm value, and profit growth can moderate earning power and liquidity.

The research results obtained in this study still have limitations because researchers only use manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2021 period so the sample used is limited and the results do not fully represent all company sectors on the IDX. Future researchers are expected to be able to expand the object of research so that they are not focused on manufacturing companies and can add or replace independent variables and moderating variables such as stock prices and so on which affect firm value.

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