The Influent of Corporate Capital Structure, Company Financial Performance and Company Size on Company Value in Lq-45 Companies Listed on the Indonesia Stock Exchange in 2019-2021

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ABSTRACT: *This study aims to determine the effect of capital structure, company financial performance, and company size on company value in LQ-45 companies listed on the Indonesia Stock Exchange in 2019-2021. The population used in this study is 35 companies that have consistently entered the LQ45 companies listed on the Indonesia Stock Exchange (IDX) in 2019-2021. The data source in this study is secondary data and uses a purposive sampling method. The data tested used descriptive statistical analysis test, classical assumption test and multiple linear regression analysis test using SPSS 26. The results of this study indicate that capital structure and firm size have a positive and insignificant effect on firm value. Meanwhile, the company's financial performance has a positive and significant effect on firm value.*

Keywords*: Capital Structure; Company Financial Performance; Company Size; and Company Value*

I. INTRODUCTION

Rising and falling company values are a phenomenon that occurs. Indonesia stock exchange. Increasing the value of the company is one of the main focuses in the company's business. Corporate value can be defined as the selling point of a business as an active and growing company. Any increase in share price will increase the value of the company. The higher the company value indicates that the company has good performance and future prospects and can be trusted by investors (Natsir & Yusbardini, 2020).

To increase the value of the company, several aspects such as the company's capital structure, company performance and company size can be the main focus for the company. The capital structure is a comparison between the debt and equity owned by the company. Corporate debt can be divided into two categories: long-term debt and short-term debt. Equity, on the other hand, can be divided into retained earnings and company ownership. In order to maximize share price the optimal capital structure must be able to balance risk and return. As a result, it is very important to have the right policies when implementing an appropriate capital structure for a company (Aprilia & Yuliadi, 2020).

The company's financial performance is one of the factors that shows the effectiveness and efficiency of an organization to achieve its goals. According to (Afandi, 2018: 83). Good financial performance can be seen from the results of the company's success in making financial reports for a certain period of time.

Company size is a scale that classifies the size of a company using certain indicators, besides that company size is also one that represents the company's financial characteristics. The larger the size of the company, the easier it is for companies to obtain funding sources (Reschiwati, 2020). Larger company sizes

have several advantages including showing large total company assets, easier to get funding, both external and internal and have great sensitivity and relatively large transfer of wealth, when compared to small-sized companies.

II.   MATERIAL AND METHODS

1. Trade-off Theory
Trade-off theory is a theory that relates capital structure to firm value.The trade-off results in a company's capital structure derived from tax advantages by using debt with costs that will arise as a result of using the debt. Trade Off Theory in capital structure essentially balances the benefits and sacrifices that arise as a result of using debt (Wardani et al, 2018).

2. Signal Theory
According to what was disclosed in sofiatin by Brigham and Houston (2020) a signal or signal is an action taken by a company to provide guidance to investors about how management views the company's prospects. Signal theory has an important influence on optimal capital structure, so that in signal theory two managers' perspectives emerge, namely profitable and unfavorable company prospects.

3. Capital Structure
Capital structure is an idea of the form of a company's financial proportions, namely between capital originating from long-term debt and own capital which is the source of management of a company. The capital structure is very important for the company because in determining the company's capital structure policy making it is necessary to involve risk and the rate of return because with increasing debt, the risk and rate of return desired by the company is getting bigger. According to the research results of Yulis Susanti, Sri Mintarti, and Set Aspame (2018) and Tia Monika (2019) provide evidence that capital structure affects company value.
H1: Capital Structure has an effect on Firm Value.

4. Financial Performance
Performance Good financial performance can be seen from the results of the company's success in making financial reports for a certain period of time. Financial performance is a discussion that is carried out to see the development of a company by using good and correct company performance. The company's financial performance is a description of the financial condition of a company in a certain period if the company's financial performance is good and correct, it will affect the value of the company. According to the research results of Irwan Mangara Harahap, Ivana Septiani, and Endri Endri (2020) it proves that company performance affects company value.
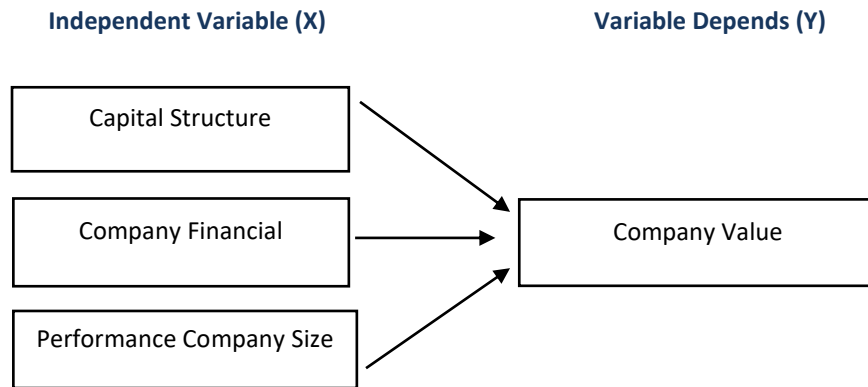**H2: Company Performance Influences Firm Value**

5. Company Size
Company size is a scale that classifies the size of a company which can be shown by total assets, total net sales, average level of sales and average total assets. The greater the total assets, the greater the size of the company. The size of the company can be seen from the total assets owned by the company which are used in the company's operations, when viewed from the management side the company has large total assets, the ease it has in controlling the company will increase the value of the company, according to the research results of Siti Wulandari, Endang Masitoh W, and Purnama Siddi (2021) prove that company size affects company value.
H3: Firm Size Has an Effect on Firm Value.

III.   CONCEPTUAL FRAMEWORK

The research method is focused on knowing the effect of capital structure, company financial performance and company size on firm value. The following is the research framework:

Independent Variable (X)   **Variable Depends (Y)**

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┌─────────────────────────┐
│     Capital Structure    │──┐
└─────────────────────────┘  │
                              │     ┌─────────────────────────┐
┌─────────────────────────┐  └────▶│                         │
│    Company Financial     │──────▶│     Company Value        │
└─────────────────────────┘  ┌────▶│                         │
                              │     └─────────────────────────┘
┌─────────────────────────┐  │
│ Performance Company Size │──┘
└─────────────────────────┘
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IV.   RESEARCH METHOD

The population in this study uses LQ-45 companies listed on the Indonesia Stock Exchange in 2019-2021. In this study, there is a population of 45 companies registered with the LQ-45 company in 2019-2021. After using the purposive sampling method, the results obtained were 35 companies that met the criteria. The criteria for this research sample are:

1. Companies listed in the LQ-45 index.
2. Companies those are consistently included in the LQ-45 calculation during the 2019-2021 period.
3. Companies that consistently report financial statements during the 2019-2021 period.
4. Reports issued by companies use Rupiah.

Variable Measurement

Firm Value

Firm value is an investor's appreciation of the company's success. There are various measurements of company value, including using the Price to Book Value (PBV) formula (Baldick and Jung, 2020). Company value uses an indicator with the formula:

$$PBV = \frac{Market\ Price\ per\ Share\ Book}{Value\ per\ Share\ Capital}$$

Structure Capital

Structure is a form of comparison between the company's debt and equity.

In the capital structure, the measurement is carried out using the Debt to Equity Ratio (DER), because this measurement ratio is used to measure considerations between the company's liabilities and the amount of its own capital. By using the following measurement indicators:

$$DER = \frac{Total\ Liabilities}{Total\ Equity\ Company}\ x\ 100\%$$

Financial Performance

Financial performance is a discussion conducted to see the development of a company by using good and correct company performance. In this study using Return on Equity (ROE) because ROE is more comprehensive and ROE can measure a company's ability to create profits in the company's operational activities with the company's total income. The higher the Return on Equity (ROE) value, the better the company's performance. ROE can be formulated as follows:

$$ROE = \frac{Net\ profitafret\ Tax}{Shareholders}$$

Equity Company Size

The larger the company size, the better control over market conditions, so that the company is able to face conditions of economic competition. Measurements made on company size look at the total assets owned by the company, the calculation uses the natural logarithm of total assets. By using the following measurement indicators:

Company Size = Ln x Total Assets

V.   RESULT AND DISCUSSION

1. Descriptive statistic

Descriptive Statistical Test Results

(Number of Samples, Minimum, Maximum, Mean, and Standard Deviation)

	N	Minimum	Maximum	Mean	Std. Deviation
DER	97	.1447	6.6260	1.522830	1.6678492
ROE	97	-.0730	.3956	.116140	.0781676
RUMUS LN	97	29.9081	35.0844	31.952340	1.2476240
PBV	97	.1524	6.8461	1.793188	1.2851558
Valid N (listwise)	97				

Source: Results of data processing, 2023

1. Firm Value Variable (PBV) (Y) has a minimum value of 0.1524, firm value (Y) the maximum is 6.8461, the average (mean) is 1.793188, and the standard deviation is 1.2851558.
2. The Capital Structure Variable (DER) (X1) has a minimum value of 0.1447, a maximum value of 6.6260, an average value (mean) of 1.522830 and a standard deviation value of 1.6678492.
3. The Company's Financial Performance Variable (ROE) (X2) has a minimum value of -0.0730, a maximum value of 0.3956, an average value (mean) of 0.116140 and a standard deviation value of 0.0781676.
4. The variable company size (LN formula) (X3) has a minimum value of 29.9081, a maximum value of 35.0844, an average value (mean) of 31.952340, and a standard deviation value of 1.2476240.

2. Hypothesis Testing

Multiple Linear Regression Test Variable

Variabel	Koefisien Regresi	T_{hitung}	*Sig*
Constanta	1.738	0.368	0.714
DER	0.054	0.458	0.648
ROE	8.673	5.639	0.000
RUMUS LN	-0.032	-0.211	0.834
R^2 = 0.516		F	= 11.264
Adjusted R^2 = 0.243		Sig	= 0.000

Source: Results of data processing, 2023

The model of this study is: NP = 1.738 + 0.054SM + 8.673KKP − 0.032UP + e

Statistical test F

Based on the results of the f test output, it shows a significant value of 0.000, less than 0.05 indicating that the independent variables, namely capital structure, company performance, and company size, have a stimulant effect on the dependent variable, namely firm value.

The coefficient of determination (R2)

Based on the test results, the adjusted R2 is 0.243, which means that this identifies that the contribution of the independent variable to the dependent variable is 24.3%, while the remaining variable can be explained by the dependent variable, while for the remainder it is (100% - 24, 3%) = 75.7% explained by other factors outside the model studied.

VI.   CONCLUSION

This study aims to examine the effect of capital structure, company financial performance, and company size on firm value in LQ-45 companies listed on the Indonesia Stock Exchange in the 2019-2021 period and includes a sample of 35 companies that have consistently entered in three consecutive years. in the LQ-45 index.

1. The result of the t test which has a significant value of 0.648 is greater than 0.05, which means that capital structure has a positive and insignificant effect on firm value.
2. The result of the t test which has a significant value of 0.000 is less than 0.05, which means that the company's financial performance has a positive and significant effect on firm value.
3. The results of the t test which has a significant value of 0.834 is greater than 0.05, which means that company size has a positive and insignificant effect on firm value.

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