



The Effect of Capital Structure, Company Growth, Company Size, Investment Opportunities on Company Value in Consumer Goods Companies Listed on the Indonesia Stock Exchange

Rahel Junita Nainggolan

Universitas Methodist Indonesia

Corresponding Author: Rahel Junita Nainggolan raheljunita@gmail.com

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ABSTRACT

Investigating and assessing how investment opportunities, business size, growth, and capital structure affect firm value is the aim of this study. Descriptive statistical analysis consisting of four classical assumption tests, namely the normality test, multicollinearity test, autocorrelation test, and heteroscedasticity test is the research methodology used in this study. Multiple Linear Regression Analysis. There are three types of hypothesis tests, namely partial tests (t-test), simultaneous tests (F-test), and coefficient of determination (R²). The dependent variable in this study is company value, while the independent factors are capital structure, company growth, company size, and investment opportunities. There are 84 companies in the survey overall. Purposive sampling was used to collect samples of 21 companies between 2019 and 2022. Secondary data is the type of data used. The research findings show that the company's capital structure has a negative and significant effect on company value, growth has a negative and insignificant effect, company size has a positive and insignificant effect, and investment opportunities have a negative and significant effect. In addition to growth and size, capital structure and investment prospects all have a major impact on company value

INTRODUCTION

All business actors must continue to improve their competitive intelligence in the era of highly competitive industrialization both in local and foreign markets in order to develop (going concern). It is true that every business has short-term and long-term goals. The company's long-term goal is to increase shareholder value and improve shareholder welfare. The short-term goal is to maximize profits by utilizing company resources. An investor's assessment of a business's performance is known as its company value, and it is frequently linked to stock prices. In actuality, though, stock values are always subject to fluctuation. Stock prices fluctuate in tandem with this connected occurrence, which is still a fascinating phenomenon or topic of discussion today.. Of course, a number of variables affect the value of the company represented by the stock price, such as the stock index, interest rates, and the overall health of the company. Company value can be influenced by a number of variables, including capital structure, company growth, company size and investment opportunities. Capital structure according to Ramdhonah et al. (2019), is a mixture of own and foreign capital. The capital structure of a company plays an important role in determining its value because a well-designed capital structure will benefit the business and can increase its value. The risk level of a company can be measured by looking at the debt to equity ratio (DER).

The growth of a company shows its ability to maintain its financial position along with the expansion of the business sector and economy. Kusmajaya (2011) defines company growth as a change in the total assets owned by a company. Positive signals awaited by stakeholders both inside and outside the organization can be obtained through company expansion. A company's size is a reflection of its total asset base. The size of a firm is thought to affect its value since larger businesses will have an easier time obtaining the financial resources required to accomplish their objectives. Larger businesses will find it easier to enter the market because of their size.

Investment opportunities are choices made regarding future investments with Net Present Value (NPV) and company assets. The ratio of capital expenditure to book value of assets (CAPBV) will be used to assess investment prospects. It is interesting to discuss the phenomenon of rising and falling stock prices. There are a number of elements that have an impact on the company, including: external problems that cannot be avoided due to the economic conditions of a country, for example competition in the international trade market, fluctuations in the rupiah exchange rate against foreign currencies, and government policies that have an impact on the company. Internal factors occur due to factors in the company itself, for example changes in company leaders, mergers, acquisitions. This study is limited to variables that we believe affect firm value. These variables include possible capital structures, firm growth, firm size, growth, and investment opportunities.

LITERATURE REVIEW

Agency Theory

Jensen & Meckling (1976) proposed the idea of agency theory, which explains how a principal (a group of people) and an agent (management) interact when the primary has the power to make decisions. choices. This means that the principal enters into a contract with the agent to carry out tasks in the interests of the principal. This theory explains the separation between the company's ownership rights and the responsibility for making decisions.

Agency problems often arise in industries where there is a contract between the principal and the agent. To minimize conflict, it is necessary to make a clear contractual agreement between the principal and the agent who have the same interest in increasing the value of the company.

Signaling Theory (Signal Theory)

Signal theory, according to Brigham & Houston (2011), is a theory that explains how management of a firm acts when advising investors on management's expectations for the company's future. This signal theory highlights the value of information from the business community or outside investment possibilities. According to Narayanti and Gayatri (2020), companies that show strong performance or prospects will send positive signals to investors which are expected to provide positive value. It is hoped that the market will also respond well and accept this information. In short, signal theory is information provided by companies to investors to help them understand the state and prospects of the business in the future so that they can be used as a basis for making decisions in the future. With the presence of signals related to information, it can help users of financial report information to make a decision.

Trade-off Theory

The trade-off theory is one of the ideas that examines the connection between business value and capital structure. This idea was put forward by Myres (1984), who claims that even though businesses have debt, they only have debt to the point where the cost of financial distress is greater than the tax savings (or tax protection) from taking on further debt. According to the trade-off theory, the risk of corporate bankruptcy increases as debt increases, increasing the likelihood that the company will be unable to pay its debts. The advantages and disadvantages of using debt are considered at the heart of the trade-off theory. in capital structure. As long as the benefits outweigh the disadvantages, more debt is acceptable. Conversely, if the cost of debt is greater, this is not allowed (Umdiana & Claudia, 2020)

Company Value

Public perception of a corporation is known as company value. Managers feel happier when the company value increases, this shows that the managers' desires are what cause the company value to increase. According to Pertiwi et al. (2016), shareholder wealth increases along with company value. Corporations want to maximize wealth for their shareholders. This can be done by generating income that will be distributed to shareholders in the future and optimizing current value through business operations. Based on research conducted by Julius Jogi Christiawan and Josua Tarigan in 2007, there are many company

values that are often used as measures of company value. There are several forms of company value.

1. Nominal Value

Nominal amount is the amount that is formally determined in a company's articles of association, logically determined in a company's balance sheet, and clearly stated in the capital market report.

2. Market Value

The market value, also known as the exchange value, is the price that is reached after negotiating and making an offer on the stock exchange.

3. Intrinsic Value

The estimate of a company's true value is called the intrinsic value. Based on the idea of intrinsic value, the value of a company includes more than just the cost of its assets; instead, it also touches on the entity's future earnings potential.

4. Book Value

A company's book value is its worth as established by accounting procedures.

5. Liquidation Value

The selling price of a company's assets minus all liabilities that must be paid is called the liquidation value. The bank statement established at the time of the company's liquidation can be used to calculate the liquidation value.

Stock prices should not fall below liquidation value if market mechanisms are functioning properly. Investors may use book value rather than this liquidity value to estimate the lower limit of stock prices because book value is only determined if the company is liquidated. Consequently, the company's worth for investment objectives.

Capital Structure

The ratio of long-term debt to equity, which represents the company's long-term financial balance, is what Setiawan et al. (2021) define as capital structure. The business must consider borrowing funds from outside sources, specifically debt financing, if equity financing using its own resources is still insufficient. Profits and losses must be taken into account when using debt because the company wants to have an ideal capital structure. A capital structure that can lower the cost of capital or increase the value of the company assuming a certain amount of risk is said to be optimal.

Capital structure policy will consider the trade-off between the rate of return and risk. To find the best capital structure, one must consider the tax benefits against the costs of financial distress resulting from taking on more debt (Brigham and Kouston, 2011: 183).

Company Growth

According to Kusmajaya (2011), a company's growth can be interpreted as an increase or decrease in its total assets. Assets are resources used by a business for its operational operations; as a consequence, these resources are expected to increase the business's operational results and win more external trust.

Company Size

The financial strength of a company can be seen from its size. "Company size" refers to the quantity of assets and sales revenue that a business owns. A company's size grows in direct proportion to its entire assets. The company's total assets, capital invested, and sales volume are all directly tied to its debt turnover.

Therefore, the size of a firm's assets can be compared to the size of the company itself.

Investment Opportunities

According to Myres (2015), investment prospects include both future investment potential and current assets, or assets owned. Both of these combinations have the potential to impact a company's worth. A company's investment opportunities are contingent on its future expenditures. According to Juarsa (2019), the amount of investment opportunities depends on the expenses set by management which are expected to generate high returns in the future. Therefore, investment opportunities are related to current and future expenses with returns as a result of investment decisions.

Framework of Thought

The purpose of this study is to ascertain how much each of the following factors contributes to the value of a company: capital structure, growth, size, and investment prospects. Additionally, the impact of investment prospects, company growth, company size, and capital structure on company value will all be evaluated at the same time.

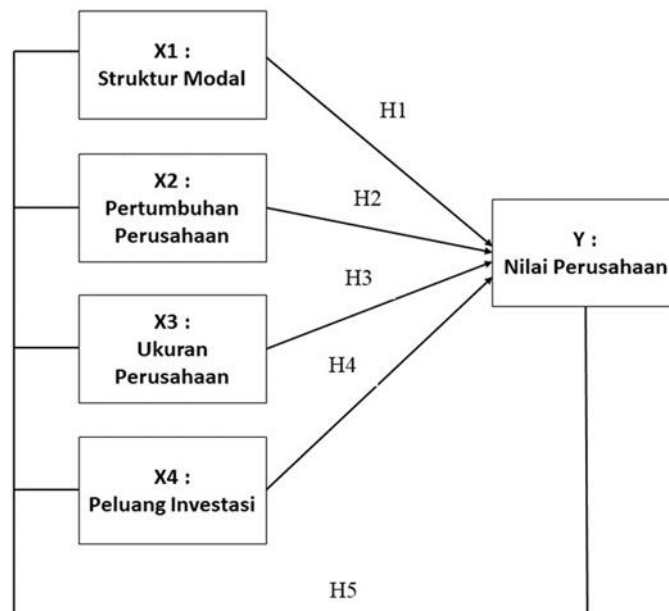


Figure 1. Thinking Framework

METHODOLOGY

Quantitative descriptive method is used in this study. According to Sujarweni (2014), the goal of quantitative research is to ascertain the value of every variable, irrespective of whether or not one or more of them are comparable or independent of one another. The website www.idx.co.id was used to access data from the Stock Exchange website in order to gather information for this study. The data came from the 2019–2022 annual financial reports of consumer products companies that were listed on the Indonesia Stock Exchange (IDX).

RESULTS**Uji Statistik Deskriptif**

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Struktur Modal	66	.00	6.85	2.3585	1.7538
Pertumbuhan Perusahaan	66	.05	2.30	.8206	.5854
Ukuran Perusahaan	66	1.00	118.01	23.1548	29.8821
Peluang Investasi	66	27.66	32.40	29.8856	1.4300
Nilai Perusahaan	66	1.02	492.34	82.2698	138.2951
Valid N (listwise)	66				

Table 1 explains the quantity of data (N) showing that there are 66 sample data studied. In summary, data on capital structure, company growth, and investment opportunities are generally normally distributed; therefore, the data is suitable for use because the average value exceeds the standard deviation value. On the other hand, data on company size and value are not normally distributed; therefore, the data is not suitable for use because the standard deviation value exceeds the average value.

Normality Test Results

Table 2. Kolmogorov-Smirnov Test Results

		Unstandardized Residual	
N		66	
Normal Parameters ^{a,b}	Mean	.0000000	
	Std. Deviation	96.71559418	
Most Extreme Differences	Absolute	.159	
	Positive	.159	
	Negative	-.081	
Test Statistic		.159	
Asymp. Sig. (2-tailed)		.000 ^c	
Monte Carlo Sig. (2-tailed)	Sig.	.062 ^d	
	99% Confidence Interval	Lower Bound	.056
		Upper Bound	.068

- a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. Based on 10000 sampled tables with starting seed 2000000.

The Monte Carlo Sig(2-tailed) value is 0.062 above the significance value of 0.05, as shown in the table of normally distributed residual variables.

Multicollinearity Test Results

Table 3. Multicollinearity Test Results

Coefficients^a

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Struktur Modal	.789	1.267
	Pertumbuhan Perusahaan	.699	1.430
	Ukuran Perusahaan	.185	5.396
	Peluang Investasi	.176	5.697

a. Dependent Variable: Nilai Perusahaan

Table 3 shows that the VIF tolerance value of each independent variable is as follows:

1. Because the tolerance value is $0.789 > 0.10$ and the VIF value of the capital structure variable is $1.267 < 10$, it can be said that there is no multicollinearity in the data.
2. The data is not multicollinear because the tolerance value is $0.699 > 0.10$ and the VIF value of the company growth variable is $1.430 < 10$.
3. Because the tolerance value is $0.185 > 0.10$ and the VIF value for company size is $5.396 < 10$, it can be said that there is no multicollinearity in the data.
4. The data is not multicollinear because the VIF value of investment opportunities is $5.697 < 10$ and the tolerance value is $0.176 > 0.10$.

Multiple Linear Regression Analysis

Table 4. Multiple Linear Regression Test Results

Coefficients^a

	Unstandardized Coefficients		Standardized Coefficients	t
	B	Std. Error	Beta	
(Constant)	2635.478	580.222		4.542
Struktur Modal	-23.751	7.947	-.301	-2.989
Pertumbuhan Perusahaan	-27.285	25.294	-.116	-1.079
Ukuran Perusahaan	1.722	.963	.372	1.789
Peluang Investasi	-84.144	20.667	-.870	-4.071

a. Dependent Variable: Nilai Perusahaan

The results of the hypothesis testing in the table above can be obtained the following equation:

$$Y = 2635.478 - 23.751 \text{ Capital Structure} - 27.285 \text{ Company Growth} + 1.722 \text{ Company Size} - 84.144 \text{ Investment Opportunities} + e$$

The formula above is explained as follows:

1. The constant value of the regression coefficient is 2635.478. This means that the company value is 2635.478 if the capital structure, company growth, company size, and investment opportunities variables are not worth 0.

2. There is a negative correlation between capital structure and company value, as indicated by the capital structure coefficient value of -23.751. This indicates that a 1% increase in capital structure will cause the company's value to drop by 23.751..
3. The company growth coefficient value is -27.285; this shows that company growth reduces company value. This means that a 1% increase in company growth will result in a decrease in company value.
4. There is a positive correlation between company size and value, as indicated by the coefficient value of 1.722. This indicates that the value of the company will drop by 1,722 for every 1% increase in size.
5. The investment opportunity coefficient value of -84.144 indicates a negative effect of investment opportunities on company value. This shows that the company value will decrease by 84.144 for every 1% increase in investment opportunities.

Partial Significance Test Results (t-Test)

Table 5. Partial Significance Test Results (t-Test)

		Coefficients^a				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	2635.478	580.222		4.542	.000
	Struktur Modal	-23.751	7.947	-.301	-2.989	.004
	Pertumbuhan Perusahaan	-27.285	25.294	-.116	-1.079	.285
	Ukuran Perusahaan	1.722	.963	.372	1.789	.079
	Peluang Investasi	-84.144	20.667	-.870	-4.071	.000

a. Dependent Variable: Nilai Perusahaan

The partial influence table on firm value is explained below, showing how investment possibilities, company growth, size, and capital structure all have a partial impact on it.:

1. The company's value has a substantial negative impact on the capital structure's value. The significance level value of 0.004 shows less than 0.05, which indicates significant influence, and the capital structure's coefficient value of β of -23.751 indicates that it has a negative affect..
2. A company's growth has a detrimental effect that is not appreciable in relation to the company's worth. It is considered to be unimportant since the company's growth has a significance value of 0.285, which indicates that it is higher than the significance level of 0.05, and it is considered to have a negative influence because the growth has a coefficient value of β -27.285.
3. There is no significant positive correlation between a company's size and its worth. With a β value of 1.722 and a significance value of 0.079, the company's size indicates that the significance value exceeds the current provisions of 0.05.
4. The value of an investment opportunity is negatively significantly affected. considered to have a negative effect because β -84.144, is said to be significant because the significance value of 0.000 is smaller than the significance level value of 0.05.

Simultaneous Hypothesis Test Results (F Test)

Table 6. Hypothesis Test Results (F Test)

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	635156.582	4	158789.145	15.931	.000 ^b
	Residual	608003.900	61	9967.277		
	Total	1243160.482	65			

a. Dependent Variable: Nilai Perusahaan

b. Predictors: (Constant), Peluang Investasi, Struktur Modal, Pertumbuhan Perusahaan, Ukuran Perusahaan

The table above illustrates how independent factors collectively have a major impact on the dependent variable. The F value of determination of 15.391 with a significance value of 0.000 shows this. Given that the significance value is less than 0.05 or 5%, it can be concluded that the possibility of investment opportunities, company growth, capital structure, and company size simultaneously have a significant effect on company value.

Results of the Determination Coefficient Test (R2)

Table 7. Results of the Determination Coefficient Test

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.715 ^a	.511	.479	99.83625	1.817

a. Predictors: (Constant), Peluang Investasi, Struktur Modal, Pertumbuhan Perusahaan, Ukuran Perusahaan

b. Dependent Variable: Nilai Perusahaan

The capital structure variable, company growth, company size, and investment opportunities account for 51.1% of the variation in the company value variable, according to the table's R2 of 0.511. Other variables not included in the study's regression model account for the remaining 48.9%.

DISCUSSION

The Effect of Capital Structure on Company Value

The results of the study demonstrate that capital structure considerably lowers a company's worth. The capital structure is thought to have a negative impact as the beta coefficient value is -23.751 and the significance value is 0.04 – both of which are below than the significance threshold of 0.05. These findings indicate the need for the business world to consider carefully when using debt, because this can have a negative impact on operations and reduce its overall value. If the company's debt level is still within reasonable limits, its value will be high; However, if it exceeds the limit, its value will decrease due to the high interest costs that must be paid to creditors, which will prevent investors from investing and reduce the company's value. and its impact on company bankruptcy will also be caused by this. The findings of this study support the findings of Rachmawati (2015) and Wahyuni et al. (2014) who found that capital structure has a significant

and negative effect on company value. However, contradictory study findings were reported by Nova Adhitya Ananda (2017), which stated that capital structure significantly and beneficially affects company value.

The Effect of Company Growth on Company Value

The findings of this study indicate that the value of a company is negatively impacted by its expansion. Because the beta coefficient value is -27.285 and is considered unimportant at 0.285 more than the specified significance criteria of 0.05, company growth is considered to have a negative effect. Business value is negatively correlated with company growth, so the company's growth will be greater. translated into a higher company value. This is possible because a company's investment operations require a larger amount of capital, both from within and outside the organization, so the faster the company grows. When a business prioritizes expansion, it will ignore the interests of its shareholders and utilize all of its resources to finance the expansion. The findings of this study are in line with the findings of Dewi and Candradewi (2018) who found little evidence that the value of a company was significantly affected. harmed by its expansion. Ni Made Suatini (2016), on the other hand, reported conflicting research findings and stated that company expansion significantly increased business value.

The Effect of Company Size on Company Value

According to the study's findings, a company's size has a slight but beneficial impact on its worth. Since the significance value of 0.079 is higher than the predetermined significance value of 0.05, it is declared to be insignificant and to have a positive effect, as indicated by the beta coefficient value of 1.722. This indicates that consumer products businesses listed on the Indonesia Stock Exchange will have a decline in value as their size grows, and vice versa, a rise in value would result from a decrease in company size.

The influence of company size is negligible, suggesting that a rise in company value is not usually the result of larger company sizes. The larger the company, the more debt it will require to finance its operations. The use of the company's debt is inefficient since interest expenses exceed the profits it makes, which can raise the company's risk and, consequently, reduce investor interest. The study's findings are consistent with those of Rachmawati (2015) and Fadilah (2016), who found a small but favorable impact of company size. In contrast, Agustina Khoeriyah's (2020) contradictory study revealed that the size of a company significantly lowered its worth..

The Effect of Investment Opportunities on Company Value

The study's findings show that investment opportunities significantly reduce a company's worth. Because the beta coefficient value is -84.144 and is declared to be significant at 0.00, which is less than the designated significance value of 0.05, investment opportunities are said to have a negative impact. This demonstrates that the company's capacity to acquire and manage its funds is a key indicator of investment potential. The corporation can improve company growth by providing returns from its investment results through the implementation of its investment policy. Furthermore, it is anticipated that the market will react favorably to the company's investment strategy, and the stock price, which serves as a gauge of the company's worth, will rise (Wijaya & Suganda, 2020).

The findings of this study are consistent with those of a study by Sely Megawati (2020), which found that the value of a firm is significantly impacted by unfavorable investment prospects. Despite Ryan Ariesco's (2020) contradictory study findings, favorable investment opportunities are important for the worth of the company.

The Influence of Capital Structure, Company Growth, Company Size, Investment Opportunities on Company Value

The findings of this study are consistent with those of a study by Sely Megawati (2020), which found that the value of a firm is significantly impacted by unfavorable investment prospects. Despite Ryan Ariesco's (2020) contradictory study findings, favorable investment opportunities are important for the worth of the company..

The findings of this study are consistent with those of Hirdinis's (2019) research, which found that capital structure and company size significantly and favorably affect company value. According to Ni Made Suatini (2016), a company's worth is positively and significantly impacted by its growth. According to Mochammad Chacid (2020), investment opportunities significantly and favorably impact the value of a company. Catur Fatchu Ukhriyawati (2019) did contradictory study and claimed that capital structure significantly lowers firm value. firm growth has a negative but negligible impact on firm value, according to Reza Novitasari (2021). According to Maya Sari (2019), a company's size has a detrimental impact on its value.

CONCLUSION AND RECOMMENDATIONS

1. For the 2019–2022 timeframe, capital structure significantly and partially lowers the value of consumer products companies listed on the Indonesia Stock Exchange. Therefore, it can be said that hypothesis 1 (H1) is not true.
2. For consumer products businesses listed on the Indonesia Stock Exchange, company growth has a negligible and somewhat negative impact on company value from 2019 to 2022. Therefore, it can be said that hypothesis 2 (H2) is not true.
3. In consumer products businesses listed on the Indonesia Stock Exchange for the 2019–2022 timeframe, company size has a small but favorable impact on company value. Therefore, it can be said that hypothesis 3 (H3) is not true.
4. For the 2019–2022 timeframe, investment opportunities significantly and partially reduce the company value of consumer products companies listed on the Indonesia Stock Exchange. Therefore, it can be said that hypothesis 4 (H4) is not true.
5. The value of consumer goods businesses listed on the Indonesia Stock Exchange for the 2019–2022 period is significantly impacted by capital structure, company growth, company size, and investment prospects all at the same time. Consequently, it can be said that hypothesis 5 (H5) is approved

FURTHER STUDY

This research still has limitations, so it is necessary to carry out further research related to the topic of The Effect of Capital Structure, Company Growth, Company Size, Investment Opportunities on Company Value in Consumer Goods Companies Listed in order to improve this research and add insight to readers.

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