Jurnal HARMONI, 2 (1) (2023) 1-8
Online ISSN : 2829-730X

The Effect of Company Size, Company Growth, Leverage and Profitability on Firm Value (Empirical Study of Manufacturing Companies in the Consumer Goods Industry Sector Listed on the Indonesia Stock Exchange in 2020-2022)

Ulfia Putri Hamidah [1*], Imam Sundarta[2], Dudung Abdul Syukur [3]
[1,2,3] Universitas Ibn Khaldun Bogor, Indonesia

ABSTRACT

The purpose of this study was to determine the effect of firm size, firm growth, leverage and profitability on firm value in manufacturing companies in the consumer goods industry sector which are listed on the Indonesia Stock Exchange in 2020-2022. The method used in sampling is purposive sampling. Purposive sampling is a technique in determining the sample based on certain criteria that will support the variables used. Based on these criteria, the number of samples obtained was 19 companies so that the total observations in this study were 57 observations. The data used in this study is secondary data obtained from financial reports available on the official website of the Indonesia Stock Exchange. Methods of data collection using the method of documentation. The documentation method is carried out by collecting secondary data through audited company financial reports and published on the official website of the Indonesia Stock Exchange. The data analysis method used is multiple linear regression analysis. Based on the results of linear regression analysis with a significance level of 5%, the results of this study conclude that (1) firm size has no effect on Firm Value, (2) firm Growth has a negative and significant effect on Firm Value, (3) Leverage has a positive effect and significant to Firm Value, (4) Profitability has a positive and significant effect on Firm Value.

***Keywords**: firm size; firm growth; leverage; profitability; firm value.*

Corresponding author: ulfiaptrhamidah@gmail.com
History of Article: Received: Jan 2023. Revision: April 2023. Published: May 2023.
DOI Prefix 10.32832/

Introduction

A company is a place to carry out production activities and operational activities. Every company certainly has short-term and long-term goals in carrying out these operations. Making a profit is a short-term goal of the company, while maximizing company value is a long-term goal of the company (Novari & Lestari, 2016).

Manufacturing companies in the consumer goods industry sector are one of the companies engaged in various industrial fields such as the food and beverage industry, the cosmetics industry, the household needs and appliances industry and the cigarette industry.

According to the Ministry of Industry of the Republic of Indonesia, the growth of the manufacturing sector in the last few months of 2022 showed a positive signal. This condition is reflected in the value of the Industrial Confidence Index (IKI) which has increased. IKI is an index released by the Ministry of Industry. IKI is an indicator of the degree of confidence or level of optimism of the manufacturing industry towards the economy. The increase contributed to the development of the economy.

However, the development of the economy has led to rapid business competition. This business competition requires companies to increase competitiveness by developing the company's operational and financial activities. In carrying out its operational activities, the company requires funding, both from within the company and outside the company.

Companies must continue to improve operational activities and pay attention to company finances in order to achieve company goals, both short-term and long-term goals. If the company is able to increase its profits, then the company's condition can be said to be good. This can increase the level of investor confidence to invest in the company.

Firm value is an investor's understanding of a company based on the company's share price. Firm value is used by investors as a basis for seeing the company's performance in the future period. This is a consideration for investors before making an investment. If the company value describes a positive situation, the company will be viewed favorably by investors.

Firm value is measured using price to book value (PBV). PBV is known as a financial ratio based on stock price to book value per share (Brigham & Houston, 2018). The level of shareholder prosperity increases with the PBV value (Suwardika & Mustanda, 2017). Companies that have a PBV value above one illustrate that the book value of the stock is lower than its market value. The company will run well if it has a PBV value of more than one. Factors that can affect the value of a company in this study are company size, company growth, leverage and profitability.

Company size is the size of a company which is indicated by total assets, total sales, total profits, tax burden and others (Brigham & Houston, 2018). Company size is a description of the total assets owned by the company. Large companies have more assets than small companies. Company size can affect company value because the larger the size of the company, the greater the company's opportunity to obtain funding sources from both internal and external sources.

Company growth is a change (increase or decrease) in the assets owned by the company (Brigham & Houston, 2018). Company growth is an increase in total assets in the following year. Companies experiencing high growth will benefit from a better public image as a result of expanding the company's market share.

Leverage is how the company uses loan capital in the form of debt as a source of funding for additional company assets and to obtain or increase profits from the loan capital (Brigham & Houston, 2014). Leverage is a situation where the company uses debt in adding company assets to increase profits.

Profitability is the ability of a company to generate profits over a certain period of time (Kasmir, 2019). If the profitability value is high, it will have a good impact on investors' decisions to invest capital, so that it can increase the company's value. Because the high profitability value illustrates the company's performance has been done well.

In previous studies, most profitability was measured using Return on Asset (ROA). Return on Asset (ROA) is a ratio that shows the return on the total assets used in the company (Kasmir, 2019). Novelty in this study is the measurement of profitability measured using Return on Equity (ROE). Return on Equity (ROE) is a ratio that shows how much equity contributes to creating net income (Hery, 2018). ROE shows more data on net income with certain capital. ROE is one of the important elements in knowing the extent to which the company is able to manage capital from its investors.

This study aims to determine the effect of company size, company growth, leverage and profitability on firm value. The benefits of this research theoretically It is hoped that it can provide additional information and insight, so as to increase understanding of the factors that affect company value as a benchmark in the future. In addition, it is expected to apply theory and additional understanding of company size, company growth, leverage and profitability to firm value. While in practice it is hoped that it can provide consideration in overcoming problems related to firm value.

Research Methods

This study uses a type of quantitative research by analyzing data. The data used is secondary data obtained from financial reports available on the official website of the Indonesia Stock Exchange (IDX) and the official website of the company that publishes financial reports and historical stock price data of manufacturing companies in the consumer goods industry sector in 2020-2022.

The data collection technique in this study uses the documentation method. This method is carried out by collecting secondary data through audited financial reports for 2020-2022 and has been published on the official website of the Indonesia Stock Exchange and the company's official website. The data used relates to the dependent and independent variables in this study.

According to (Sugiyono, 2014) the object of research is the nature of activities that have certain variations and have been determined to be studied, then conclusions are drawn. The research object used is a company listed on the Indonesia Stock Exchange. The sample used is manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange in 2020-2022.

The population in this study consisted of 84 manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange in 2020-2022. The method used in sampling is purposive sampling. Purposive sampling is a technique in determining samples based on certain criteria that will support the variables used. Based on the criteria, the number of samples obtained was 19 companies with a data collection period of 3 years and resulted in 57 data from 19 companies.

Results

First. Normality Test

The normality test is carried out with the aim of testing whether in the regression model, the dependent variable and the independent variable have a normal distribution. The method that can be used to test normality is the Kolmogorov-Smirnov (K-S) non-parametric statistical test. The normality test results are obtained as follows:

Table 1 Normality Test Results

	Unstandardized Residual	Conclusion
N	57	Data is normally distributed
Asymp. Sig. (2-tailed)	0,079	

Based on table 1, the results of the normality test using the Kolmogorov-smirnov statistical test, obtained a significant level of 0.079 which indicates that the significant value is greater than 0.05 (0.079> 0.05). So the data results in this study are normally distributed and suitable for use in research.

Second. Multicollinearity Test

Multicollinearity test is carried out with the aim of testing whether the regression model found a correlation between independent variables (free). The multicollinearity test is seen from the Variance Inflation Factor (VIF) and tolerance value. The multicollinearity test results are as follows:

Table 2 Multicollinearity Test Results

Variables	*Collinearity Statistics*		Conclusion
	Tolerance	VIF	
SIZE	0,966	1,035	Not Affected by Multicollinearity
GROWTH	0,774	1,291	Not Affected by Multicollinearity
DER	0,790	1,266	Not Affected by Multicollinearity
ROE	0,991	1,009	Not Affected by Multicollinearity

Based on table 2, the results of the multicollinearity test, all variables have a tolerance value greater than> 0.10, so there is no multicollinearity and all variables have a VIF value smaller than < 10.00, so there is no multicollinearity. So it can be concluded that there is no multicollinearity between variables in the study.

Third. Autocorrelation Test

According to Imam Ghazali (2018), there are no autocorrelation symptoms if the Durbin Watson value lies between dU and (4-dU). The autocorrelation test using the Durbin Watson method produces the following data.

Table 3 Autocorrelation Test Results

Model	Durbin-Watson	Conclusion
1	1,918	No autocorrelation symptoms

Based on table 3, the results of the autocorrelation test using the Durbin Watson method are 1.918. When compared with the Durbin Watson table based on the number of variables (k) = 4 and the amount of data (n) = 57 with 5% significance at a = 0.05, the dl value = 1.4264, du value = 1.7253, 4-dl value = 2.5763 and 4-du = 2.2747. Then the value of dU < DW < 4-dU (1.7253 < 1.918 < 2.2747). So it can be concluded that there is no autocorrelation between variables in the study.

Fourth. Heteroscedasticity Test

Table 4 Heteroscedasticity Test Results

Model	*Unstandardized Coefficients*		*Standardized Coefficients*	t	Sig.
	B	*Std. Error*	Beta		
(Constant)	-17.397	10.423		-1.669	.101
SIZE	2.607	1.934	.183	1.348	.183
GROWTH	.049	.125	.059	.388	.700
DER	.025	.092	.041	.271	.787
ROE	.260	.182	.192	1.429	.159

Based on table 4, the results of the Heteroscedasticity test using the park test on the firm size variable have a significance value of 0.183. The company growth variable has a significance value of 0.700. The leverage variable has a significance value of 0.787. The profitability variable has a significance value of 0.159. The results of all variables have a greater significance value> 0.05. So it can be concluded that there are no symptoms of heteroscedasticity because the significance value obtained is greater than 0.05.

Fifth. Multiple Linear Regression Analysis

Multiple linear regression analysis is used to determine the direction of the relationship between the independent variable and the dependent variable. The independent variables in this study are company size (SIZE), Company Growth (Growth), Leverage (DER) and Profitability (ROE). The dependent variable in this study is Company Value (PBV).

Table 5 Multiple Linear Regression Analysis Results

Model	*Unstandardized Coefficients*		t	Sig.	Conclusion
	B	*Std. Error*			
(*Constant*)	2,137	3,248	0,658	0,513	
SIZE	-0,360	0,603	-0,597	0,553	Conclusion
GROWTH	-0,099	0,039	-2,524	0,015	Significant
DER	0,067	0,029	2,362	0,022	Significant
ROE	0,304	0,057	5,369	0,000	Significant

Based on table 5, the multiple linear regression equation model is obtained as follows.

PBV= 2,137 - 0,360 SIZE - 0,099 GROWTH + 0,067 DER + 0,304 ROE + e

Sixth. Statistical Test of t

Table 6 Statistical Test Results t (t test)

Variabel	B	t	Sig	Conclusion
(*Constant*)	2,137	0,658	0,513	
SIZE	-0,360	-0,597	0,553	Not Significant
GROWTH	-0,099	-2,524	0,015	Significant
DER	0,067	2,362	0,022	Significant
ROE	0,304	5,369	0,000	Significant

Based on table 6, the results of the statistical test on company size have no effect on firm value with a significance value of 0.553> 0.05. Company growth has a negative and significant effect on firm value with a significance value of -0.2524 < 2.00665. Leverage has a positive and significant effect on firm value with a significance value of 2.369> 2.00665. Profitability has a positive and significant effect on firm value with a significance value of 0.000 <0.05.

Seventh. F Statistical Test

Table 7 F Statistical Test Results (F Test)

Model	F	Sig.	Conclusion
Regression	9,521	.000[b]	Significant

Based on table 7, the results of the F statistical test, the resulting significance value is smaller than the predetermined significance level of 0.000 <0.05 and the calculated F value is greater than the F table of 9.521> 2.54. So company size, company growth, leverage and profitability simultaneously affect firm value in manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange in 2020-2022.

Eighth. Coefficient of Determination (R^2)

Table 8 Results of the Coefficient of Determination

Model	*R*	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*
1	.650[a]	0,423	0,378	0,62663

Based on table 8, the Adjusted R^2 value (coefficient of determination) is 0.378. So it can be concluded that the value of the company is influenced by company size, company growth, leverage and profitability by 37.8%, while the influence of other variables outside the research variables is as much as 0.378. 62,2%.

The Effect of Company Size on Company Value

The results of statistical analysis on the company size variable that has been carried out, it is known that the regression coefficient value is -0.360. The company size variable has a significance value greater than the predetermined significance level of 0.553> 0.05 and a calculated t value that is smaller than the t table value of -0.596 < 2.00665. It can be concluded that company size has no effect on firm value in manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange in 2020-2022.

When assessing a company, an investor will not look at the size of the company which is reflected in the total assets owned by the company. However, investors will review more from various aspects such as company performance seen in the company's financial statements and how the dividend policy is before deciding to invest in the company.

The results of this study show conformity and are in line with research conducted (Sintyana & Artini, 2019) and (Indriyani, 2017) stating that company size has no effect on firm value.

The Effect of Company Growth on Company Value

The results of statistical analysis on the company growth variable that has been carried out, it is known that the coefficient value is -0.099. The company growth variable has a significance value that is smaller than the predetermined significance level, namely 0.015 <0.05 and a calculated t value that is smaller than the t table value, namely -0.2524 <2.00665. So it can be concluded that company growth has a negative and significant effect on firm value in manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange in 2020-2022.

Based on the results of the research that has been done, the faster the company's growth, the greater the funds needed to carry out the company's investment activities, both sources of funds from within and outside the company. Companies that require large funding will use the profits generated from the company's operational activities for reinvestment activities not for dividend payments to shareholders. This can reduce the level of investor confidence in investing in the company and will trigger a decrease in stock prices accompanied by a decrease in company value.

The results of this study show conformity and are in line with research conducted (Riski & Ruzikna, 2018) which states that company growth has a negative and significant effect on firm value.

The Effect of Leverage on Firm Value

The results of statistical analysis on the leverage variable that has been carried out, it is known that the coefficient value is 0.067. The leverage variable has a significance value that is smaller than the predetermined significance level of 0.022 <0.05 and a calculated t value that is greater than the t table, namely 2.369> 2.00665. So it can be concluded that leverage has a positive and significant effect on firm value in manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange in 2020-2022.

The higher the leverage value will have an impact on increasing the company's value. This is related to the pecking order theory where there is an order of corporate funding decisions, namely choosing internal sources of funds and then external funds, in the order of debt first and equity securities as the last alternative (Dewi & Wirama, 2017). Companies choose to obtain new capital by using debt rather than selling shares. The use of debt is carried out by companies to increase profits that will be obtained through the company's operational activities. The use of debt shows that the company is able to pay future obligations.

The results of this study show conformity and are in line with research conducted by (Sutama & Lisa, 2018) which states that leverage has a positive and significant effect on firm value. In this study, high leverage can be utilized by companies to obtain higher profits by using capital derived from debt.

Effect of Profitability on Company Value

The results of statistical analysis on the profitability variable that has been carried out, it is known that the coefficient value is 0.304. The profitability variable has a significance value that is smaller than the predetermined significance level of 0.000 <0.05 and a calculated t value that is greater than the t table, namely 5.365> 2.00665. So it can be concluded that profitability has a positive and significant effect on firm value in manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange in 2020-2022.

The higher the profitability value will have an impact on increasing the value of the company. This is related to signal theory where companies with good prospects in the future are more attractive to investors. Companies that generate profits are considered successful companies due to the company's good operational performance. High profitability will trigger a positive response from investors to invest in the company and will trigger an increase in stock prices accompanied by an increase in company value.

The results of this study show conformity and are in line with research conducted by (Novari & Lestari, 2016), (Indriyani, 2017), (Dhani & Utama, 2017), and (Isnaeni et al., 2021) stating that profitability has a positive and significant effect on firm value.

Conclusion

The company size variable as measured by the natural logarithm of total assets shows that company size has no effect on firm value in manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange in 2020-2022. The size of the company will not affect the value of a company.

The company growth variable as measured by asset growth (growth) shows that company growth has a negative and significant effect on firm value in manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange in 2020-2022. The faster the company's growth, it will have an impact on decreasing the company's value.

The leverage variable as measured by the Debt to Equity Ratio (DER) shows that leverage has a positive and significant effect on firm value in manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange in 2020-2022. The higher the leverage, the higher the company value.

The profitability variable as measured by Return on Equity (ROE) shows that profitability has a positive and significant effect on firm value in manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange in 2020-2022. The higher the profitability, the higher the company value..

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