ProBusiness: Management Journal, 15 (4) (2024) pp. 599-603

Published by:Jonhariono Research, Publication and Consulting Institute

ProBusiness: Management Journal

The Effect of Capital Structure and Company Size on Company Value in Food and Beverage Sub-Sector Manufacturing Companies in 2020-2022

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ARTICLEINFO

Article history:

Received July 15, 2024
Revised July 22, 2024
Accepted Aug 03 2024

Keywords:

Capital structure
Company size
Company Value

ABSTRACT

This study aims to determine the effect of capital structure and company size on company value in food and beverage sub-sector companies listed on the Indonesia Stock Exchange. The population of this study were 26 companies and the sample of this study were 17 companies after outliers were made so that the number of observation samples was 51 data used. The sampling technique in this study was purposive sampling technique. This research test uses Eviews software, with panel data regression testing. The results showed that partially the capital structure has no effect on company value while the size of the company partially has a negative effect on company value. then simultaneously (together) the capital structure and company size affect company value pt).

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1. INTRODUCTION

The current development of the manufacturing industry is considered more productive, which is capable of increasing the added value of raw materials, adding labour, creating the largest source of foreign exchange, as well as the largest contributor of taxes and customs duties. This situation is influenced by increasing public purchasing power for various types of products, and production processes will increase according to demand, which will boost national economic growth and increase domestic, regional and global competitiveness. With the presence of strict competition requires companies to create innovation and can develop new concepts or methods in companies that have high value against investors in the capital market. One of the company's goals is to be able to achieve profit targets and maximize the company's value at its share price in accordance with the company's performance, which is why the company is expected to survive the intense competition between companies.

The purpose of establishing a company is to generate profits by maximizing the resources that the company has (Sunaryo, 2020). The company's long-term goal is to optimize company value by minimizing the company's cost of capital. The higher the company value illustrates the more prosperous the company owner. Meanwhile, the company's value will be reflected in its stock market price (Wahyudi dan Pawestri, 2006). This increase in share price is an effort from the policies and

decisions that have been implemented in proper financial management of the company. The main objective of financial management is normatively to improve shareholder welfare and maximize company value (Adfentari et al., 2020).

Company value is the company's performance reflected by the stock price formed by the demand and supply of the capital market which reflects the public's assessment of financial performance (Harmono, 2014). Factors that affect company value are funding decisions, dividend policy, investment decisions, capital structure, leverage, profitability, company growth, and company size (Rudangga, 2016). Of these factors that affect company value, researchers limit only examining two factors, namely capital structure and company size.

Brigham and Houston (2011) explain that growing companies require capital that can come from debt or equity. All businesses require capital from both internal and external sources. Companies generally prioritize internal funding when financing their business activities. Company size is believed to affect company value because the larger the size of a company, the easier it will be to access funding sources, both internal and external. Small-scale companies tend to be less profitable because they have limited supporting factors in producing goods, and there are still limitations in obtaining external funding.

2. RESEARCH METHOD

The population in this study are companies in the manufacturing industry sector in the food and beverage subsector listed on the IDX for the 2020-2022 period, with a total population of 26 companies. Determination of the research sample is by using a non-probability sample design, namely the purposive sampling method. Where researchers choose samples by assessing the various characteristics of the sample in accordance with certain considerations (Sugiyono, 2010). The purpose of using purposive sampling is to obtain a sample that meets the specified criteria. Based on the sample criteria above, the data that meets the sample characteristics are 17 manufacturing companies in the food and beverage sub-sector. The analysis method used is the panel data regression method using the eviews 12 testing tool.

3. RESULTS AND DISCUSSIONS

Based on the purposive sampling method, 17 companies were obtained so that the total data from the study were 51 observations. Based on this data, the lowest company value (minimum) is 0.001 and the highest value (maximum) is 5.376 with a central value indicated by the average value (mean) of 2.264529 and a standard deviation value of 1.241304. The lowest capital structure value is 0.1085 and the highest value (maximum) is 27.0381 with the central value indicated by the mean value is 1.161178 and the standard deviation value is 3.722907. The lowest company size value (minimum) is 26.29828 and the highest value (maximum) is 32.82638 with a central value indicated by the mean value of 29.05785 and a standard deviation value of 1.742523.

Estimation Test Results in Panel Data Regression

a) Chow Test

Table 1. Chow Test

Test Cross-Section Fixed Effects

Effect Test	Statistic	d.f	Prob
Cross-Section F	11.25946	(16.32)	0.0000
Cross-Section Chi-Square	96.46976	16	0.0000

Source: Processed from Eviews 12, 2024

From table 1 above, the results of the Chow Test data processing in the table obtained a Cross-section F probability value of 0.0000. These results indicate that the Cross-section F probability value < 0.05 thus indicating that H_0 is rejected and H_1 is accepted, so the better model to use is the Fixed Effect Model. After the Fixed Effect Model is selected, the next thing to do is the Hausman test to find out whether it is better to continue using the Fixed Effect Model or the Random Effect Model.

b) Hausman Test

Tabel 2. Hausman Test

Test cross-section random effect			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f	Prob
Cross-Section Random	9.238225	2	0.0099

Source: Processed from Eviews 12, 2024

Based on table 2 above, it can be seen that the cross-section random probability value is 0.009 <0.05. So it can be concluded that H_0 is rejected and H_1 is accepted, which means that the research can use the Fixed Effect model. After the Fixed Effect model is selected, then there is no need to do the Lagrange multiplier test. Because the Lagrange Multiplier Test is only carried out to determine whether the Random Effect Model or the Common Effect Model is the most appropriate to use in panel data regression.

Results of Panel Data Estimation

Based on the results of panel data regression testing that has been carried out, it can be seen that the selected model is the Fixed Effect Model (FEM). The following are the estimation results using the Fixed Effect Model (FEM) on the effect of capital structure and company size on company value.

Table 3. *Fixed Effect Model*

Dependent Variable : PBV Method : Panel Least Squares Periods Included : 3 Cross-Section Included : 17 Total Panel (Balanced) Observations: 51			
Variable	Coefficients	t-Statistic	Prob.
C	40.96887	3.438405	0.0016
DER	-0.029056	-0.880942	0.3849
SIZE	-1.330815	-3.251027	0.0027
Effect Specification			
Cross-Section fixed (Dummy Variable)			
R-Squared		0.853941	
Adjusted R-Squared		0.771784	
F-Statistic		10.39390	
Prob (F-Statistic)		0.000000	

Source: Processed from Eviews 12, 2024

Based on table 3 above, the regression equation can then be written as follows

PBV = 40.96887 - 0.029056 (DER) - 1.330815 (SIZE)

From the regression equation that has been obtained in this study, it can be explained that:

1) Constant
   The constant in the equation above has a coefficient value of 40.96887, meaning that if the value of the capital structure variable, and company size is considered to exist or equal to 1, then PBV has a value of 40.96887 assuming other variables remain (constant).
2) Capital Structure (DER)

The coefficient value of capital structure shows how the company value (PBV) changes by 0.029056 when the value of capital structure (DER) changes by one unit with the assumption that other variables remain constant. The negative sign indicates a negative relationship between capital structure (DER) and company value (PBV), which means that the higher the DER value, the company will have a low company value (PBV).

3) Company Size (SIZE)
The coefficient value of company size, which shows how the company value (PBV) changes by 1.330815 when the company size value changes by one unit, assuming other variables remain constant. The negative sign indicates a negative relationship between company size and company value (PBV), which means that the larger the company size, the lower the company value (PBV).

Analysis of Hypothesis Test Results

1) Partial Hypothesis Test (T Test)
   - The capital structure variable (X1) has a probability value of 0.3849 greater than the significant level of 0.05 (0.3849 > 0.05). So it means that H_1 is rejected and H_0 is accepted with the assumption that the capital structure partially has no significant effect on company value (Y).
   - The company size variable (X2) has a probability value of 0.0027 less than the significant level of 0.05 (0.0027 < 0.05). And the coefficient value of company size is -1.330815, which indicates that the company size variable has a negative direction (unidirectional) towards company value. So it means that H_2 is rejected and H_0 is accepted with the assumption that company size partially has a negative and significant effect on company value (Y).
2) Simultaneous Hypothesis Test (F Test)
From table 3 above, shows the prob value (F-statistic) of 0.0000 < 0.05. This shows that the independent variables, namely capital structure and company size, simultaneously affect the dependent variable, namely company value in food and beverage sub-sector manufacturing companies listed on the IDX in 2020-2022.
3) Test Coefficient of Determination (R2)
From table 3 above, it is known that the R Square value is 0.853941, it can be concluded that the ability of the independent variables (independent), namely capital structure and company size in explaining the existence of the dependent variable, namely company value, is 85.39%% and the remaining 14.61% is influenced by other variables not examined.

Discussion of Research Results

1) Effect of Capital structure on company value
The size of the capital structure of a company does not affect the value of the company. This means that an investor when investing in a company they do not see the value of the company only based on its capital structure but prioritize information on how the company's management uses funds as company capital effectively and efficiently to increase company value.
Companies that continue to grow have good prospects for the future, which can generate high corporate profits and increased sales so as to increase investor interest. Because companies that have profits and sales that tend to be stable will safely use a larger amount of debt because they do not have a large chance of bankruptcy when compared to companies whose profits and sales are unstable. So that investors consider it reasonable if a company has a lot of debt as long as it is balanced with the company's ability to earn profits and a good level of sales. Because of this, the capital structure (DER) does not affect investor interest in stock demand which has an impact on company value (PBV). This is in line with research conducted by Nurhayati, I., et al (2020) which concluded that capital structure has no effect on company value.
2) The effect of company size on company value
With a negative influence, it means that there is an opposite direction relationship between company size and company value. If the company size increases, the company value will decrease, and if the company size decreases, the company value will increase. Because the size of a large company that has a large number of assets is unable to utilize its assets effectively, which ultimately occurs hoarding assets. The longer asset turnover will affect the

company's performance to be less effective resulting in a decrease in company value. This will make investors hesitate to invest in the company.

The decline that occurs in stock prices can be caused by low demand for stock prices so that it has an impact on the decline in company value because investors consider that companies that have large assets tend to set a larger retained earnings than dividends that will be distributed to shareholders. Companies that retain profits rather than dividing dividends can affect stock prices and company value. The results of this study are in line with research conducted by Ramdhonah, Z., et al (2019) and Sonjaya, L. M., et al (2021) which state that company size has a significant and negative effect on company value.

4. CONCLUSION

Based on the results of the discussion of the findings of this study indicate that: Capital structure has no effect on company value so that hypothesis 1 (H_1) is rejected. Company size has a negative effect on company value so that hypothesis 2 (H_2) is rejected. The F test shows that the capital structure and company size variables together (simultaneously) affect the dependent variable.

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