THE EFFECT OF FINANCIAL PERFORMANCE AND CAPITAL STRUCTURE ON COMPANY VALUE WITH COMPANY SIZE AS A MODERATION VARIABLE

ABSTRACT

Aims: This study aims to analyze the effect of financial performance and capital structure on firm value with firm size as a moderating variable.
Study design: The method used is quantitative research with secondary data taken from the company's financial statements with data collection techniques using purposive sampling.
Place and duration of study: The population in this study are manufacturing companies in the consumer goods industry sector which are listed on the Indonesia Stock Exchange during 2019-2021.
Methodology: The data analysis used is moderated regression analysis (MRA).
Result: The results of this study indicate that: (1) Financial performance has no effect on firm value. (2) Capital structure has no effect on firm value. (3) Firm size has no effect on firm value. (4) Firm size is unable to moderate the effect of financial performance on firm value. (5) Firm size is able to moderate the effect of capital structure on firm value.

Keywords: financial performance, capital structure, size, company value

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1. INTRODUCTION

Increasing economic development has resulted in competition in the business world. As a result, companies must be able to compete in order to maintain survival and increase corporate value by developing for market expansion. Companies require large funding requirements so that this can be achieved. Fulfilling the funds needed by the company requires investment from investors (Zuraida, 2019).Firm value is important for the survival of the company. Firm value can describe the condition of the company which is reflected in its share price. If the stock price is high, the company value will also be high. The higher the company's value, the company's goal is to go public by optimizing stock prices (Sudana, 2019). Harjito, et al (2013) said that company value is very important because increasing company value means increasing prosperity for company owners or company shareholders and can distinguish the quality of the company from other companies.

The phenomenon related to company value occurred in the development of manufacturing company stock prices which experienced a quite drastic decline in 2020. Where the manufacturing sector experienced a correction of 13.57%. The value of shares in the manufacturing sector decreased by IDR 309.13 trillion from IDR 2,317.14 trillion at the end of 2019 to IDR 2,008.01 trillion. This was caused by the Covid-19 pandemic which has become a negative sentiment for the manufacturing sector. This is because the Indonesian manufacturing sector has a considerable dependence on China, which is the center of the Covid-19 outbreak, thereby disrupting the global supply chain (Saragih, 2020). The decline in stock prices can be caused by external factors such as market manipulation. Where did PT Indocement Tunggal Perkasa, Tbk (INTP) move downtrend in early 2020. INTP shares closed stagnant at a price of Rp 9,125/share in the first session of trading and in the last month INTP's share price weakened by 2.93% and capitalization INTP shares have fallen by 24.59%. The decline in INTP's share price occurred in line with the high increase in world coal prices throughout 2020 (Putra, 2022).

Financial performance is a description of the financial condition of a company which is analyzed with financial analysis tools, so that it can be known about the good and bad financial condition of a company that reflects work performance in a certain period (Fahmi, 2018). Financial performance in this study is measured by Net Profit Margin (NPM). Net Profit Margin (NPM) is the ratio between net profit, namely sales after deducting all expenses including taxes compared to sales (Kasmir, 2018).According to the research results of Rasyid and Hastuti (2022), Dayanty and Setyowai (2020),

Mudjijah, et al (2019) and Mariani and Suryani (2018) show that financial performance has a positive and significant effect on company value. Meanwhile, the results of research by Hermawan and Mafulah (2014) show that financial performance has no effect on firm value.

The capital structure is a combination of debt and equity in the company's long-term financial structure. Capital structure is an important issue for companies because both the bad capital structure will have a direct impact on the company's finances, this will directly affect the company's value (Susanto, 2016).According to the research results of Mudjijah, et al (2019) it shows that capital structure has a positive and significant effect on company value. Meanwhile, the results of research by Santoso and Susilawati (2019) and Dayanty and Setyowati (2020) show that capital structure has a negative effect on firm value. In contrast to the research results of Irawan and Kusuma (2019) and Nuradawiyah and Susilawati (2020) which show that capital structure has no effect on company value.

Company size is the size of the company seen from the value of equity, sales value or total asset value (Riyanto, 2015). According to the research results of Irawan and Kusuma (2019) and Wahyudi (2020) it shows that company size has a negative and significant effect on company value. Meanwhile, the results of the research by Dayanty and Setyowati (2020) and Listyaningsih (2020) show that company size has a positive effect on company value. In contrast to the research results of Mudjijah, et al (2019) which show that company size has no effect on firm value.

2. LITERATURE REVIEW

2.1 Agency Theory

Agency theory (agency theory) is related to the value of the company because of the conflict between the agent (company management) and the company's shareholders, known as the principal. According to Jensen and Meckling (1976) agency theory describes agency relationships. Jensen and Meckling (1976) explain that the company is a collection of contracts (nexus of contracts) between owners of economic resources (principal) and managers (agents) who manage the use and control of these resources. Agency theory or agency theory explains the separation between management functions (by managers) and ownership functions (by shareholders) in a company. This agency relationship arises when one or more people employ other people to provide services and then delegate decision-making authority to the agent (Wongso, 2012). This can lead to information asymmetry between managers and shareholders. Agency problems often occur between investors or creditors and management (Brigham and Houston, 2018). Improving the company's financial performance will provide options for management to develop the company or to improve the welfare of shareholders.

2.1 Signaling Theory

According to Brigham and Houston (2018), investors and managers have the same information about the prospects of a company. Signal theory can be concluded as a theory that can influence firm value, because this theory provides information about the condition of the company through financial reports to reduce information differences. Information received by investors is first interpreted as a good signal (good news) or a bad signal (bad news). If the financial performance reported by the company increases, this information can be categorized as a good signal because it indicates a good condition of the company. Conversely, if the reported financial performance decreases, the company is in a bad condition so that it is considered a bad signal (Mariani, 2018).

3. RESEARCH METHOD

3.1 Definition and Operationalization of Variables

3.1.1 Dependent variable

The dependent variable used in this study is firm value. Firm value is defined as market value because company value can provide maximum prosperity to shareholders if the company's share price

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increases (Damayanthi, 2019). In this study, company value is measured by the Tobin's Q ratio. This ratio is a comparison between market value plus total debt to total assets (Hasibuan, et al, 2016).The formula used is as follows:

$$Tobin's\ Q = \frac{\text{Market Value of Equity} + \text{Debt}}{\text{Total Assets}}$$

Z = 1,2 (X1) +1,4 (X2) + 3,3 (X3) + 0,6 (X4) + 1,0 (X5)

3.1.2 Independent Variable

3.1.2.1 Financial Performance

Financial performance is a measure in a company to assess the success rate of a company's profit (Dayanty and Setyowati, 2020). In this study, financial performance is measured by Net Profit Margin (NPM). Net Profit Margin (NPM) is the ratio used to measure the percentage of net profit on net sales (Hery, 2018).The formula used is as follows:

$$Net\ Profit\ Margin\ (NPM) = \frac{\text{Net Profit}}{\text{Sales}}$$

3.1.2.2 Capital Structure

Capital structure is a comparison of a company's long-term funding which is shown from a comparison of long-term debt to equity (Nuradawiyah and Susilawati, 2020). In this study, capital structure is measured by the Debt to Equity Ratio (DER). The Debt to Equity Ratio (DER) is the ratio used to assess debt to equity (Kasmir, 2018).The formula used is as follows:

$$Debt\ to\ Equity\ Ratio\ (DER) = \frac{\text{Total liability}}{\text{Total equity}}$$

3.1.3Moderating Variable

The moderating variable used in this study is company size. The size of the company is seen from the total assets owned by the company that can be used for the company's operations. If the company has large total assets, management is more flexible in using the assets in the company (Prasetia et al, 2014).Company size is measured by the natural logarithm (LN) of the company's total assets.

3.1.4Population and Samples Research

The population in this study are manufacturing companies in the goods industry sector listed on the IDX during 2019-2021, totaling 193 companies. The sample in this study was determined using a purposive sampling method, namely sampling based on the following criteria: (1) Manufacturing companies in the goods industry sector that are still listed on the IDX during 2019-2021 (2) Manufacturing companies in the goods industry sector that earn profits during 2019-2021.

3.1.5Analysis Method

Moderated regression analysis (MRA) aims to find out whether the moderating variable will strengthen or weaken the relationship between the independent variable and the dependent variable (Ghozali, 2018).The equation model for testing the hypothesis in this study is as follows:

$$Tobin's\ Q = \alpha + \beta 1\ NPM + \beta 2 DER + \beta 3 SIZE + \beta 4 NPM*SIZE + \beta 5 DER*SIZE + \varepsilon$$

Information:

Tobin's Q	= Firm Value
NPM	= Net Profit Margin (Financial Performance)
DER	= Debt to Equity Ratio (Capital Structure)
SIZE	= Firm Size
α	= Constant

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β1, β2, β3, β4, β5 = Regression Coefficient
ε =Error term

4. RESULT AND DISCUSSION

4.1 RESULT

4.1.1 Descriptive Test

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Tobin's Q	114	,00041	1,88704	,3946859	,22537600
NPM	114	,00050	,93890	,1187588	,13357281
DER	114	-2,13000	3,82480	,7666851	,74811608
SIZE	114	190786210000	179356200000000	13925606890092,40	30688649411225,758
LNSIZE	114	25,97	32,82	28,9046	1,55568
Valid N (listwise)	114				

Sources: SPSS 22

Based Based on the results of the descriptive statistical test in table 1, with a total of 114 data, the following information is obtained:

The firm value variable (proxied by Tobin's Q) has an average value of 0.395. This shows that the average value of the sample companies is not good. The lowest Tobin's Q value of 0.00041 was owned by PT Diamond Food Indonesia Tbk in 2019 and the highest value of 1.887 was owned by PT Tiga Pilar Sejahtera Food Tbk in 2019 with a standard deviation of 0.225.

The financial performance variable (proxied by NPM) has an average value of 11.87%. This shows that on average the ability of the sample companies to generate profits is less than optimal. The lowest NPM value of 0.05% was owned by PT Sekar Bumi Tbk in 2019 and the highest value of 93.89% was owned by PT Tiga Pilar Sejahtera Food Tbk in 2020 with a standard deviation of 0.134.
The capital structure variable (proxied by DER) has an average value of 76.67%. This shows that on average the financial condition of the sample companies is in good health because the amount of debt is smaller than the amount of capital owned. The lowest DER value of -213% is owned by PT Tiga Pilar Sejahtera Food Tbk in 2019 and the highest value is 382.48% owned by PT Pyridam Farma Tbk in 2021 with a standard deviation of 0.748.

The company size variable (proxied by SIZE) has an average value of 28.90 (IDR 13,925,606,890,092.40). This shows that on average the sample companies are categorized as large companies. The lowest SIZE value is 25.97 (Rp 190,786,210,000) owned by PT Pyridam Farma Tbk in 2019 and the highest value is 32.82 (Rp 179,356,200,000,000) owned by PT Indofood Sukses Makmur Tbk in 2021 with standard deviation of 1.556.

4.1.2 Classical Assumption Test

4.1.2.1 Normality test

Table 2. One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		97
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	,10622057
Most Extreme Differences	Absolute	,084
	Positive	,084
	Negative	-,074
Test Statistic		,084
Asymp. Sig. (2-tailed)		,089[c]
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

Sources: SPSS 22

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Based on table 2 after the outlier test by removing 17 data and transforming the data using LG10, it can be seen that the Asymp. The (2-tailed) sig is 0.089 or greater than 0.05, so it can be concluded that the data in this study are normally distributed, which means that the regression model meets the assumptions of normality.

4.1.2.2 Multicollinearity Test

Table 3. Multicollinearity Test

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	LG_NPM	,924	1,083
	LG_DER	,889	1,125
	LG_LNSIZE	,960	1,042

a. Dependent Variable: Tobins_Q

Sources: SPSS 22

Based on table 3 there is no independent variable that has a tolerance value of less than 0.10 and a VIF value greater than 10. So, it can be concluded that in this study there is no multicollinearity between independent variables.

4.1.2.3 AutocorrelationTest

Table 4. Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,800[a]	,641	,621	,09218428	1,003

a. Predictors: (Constant), DER_LNSIZE, LG_LNSIZE, NPM_LNSIZE, LG_NPM, LG_DER

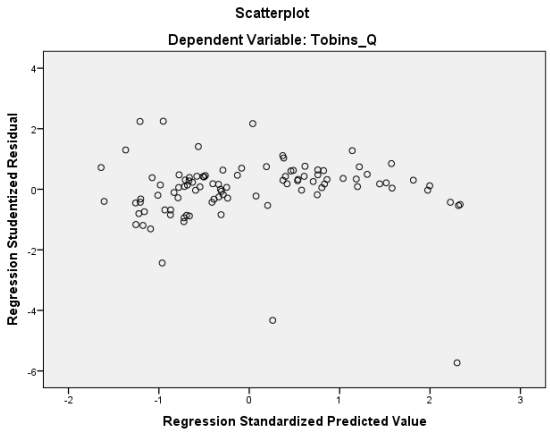
b. Dependent Variable: Tobins_Q

Sources: SPSS 22

From table 4, the DW value is 1.003, where the value is between -2 to +2, it can be concluded that in this study there is no autocorrelation.

4.1.2.4 Heteroscedasticity Test

Figure 1. Heteroscedasticity Test



From the scatterplot graph, it can be seen that the points spread randomly and are spread both above and below the zero on the Y axis. It can be concluded that in this research heteroscedasticity does not occur, so that the regression model is feasible to use.

4.1.3 Model Fit Test

4.1.3.1 Determination Coefficient Test

Table 5. Determination Coefficient Test

Model	R	R Square	Adjusted R Square
1	,800[a]	,641	,621

a. Predictors: (Constant), DER_LNSIZE, LG_LNSIZE, NPM_LNSIZE, LG_NPM, LG_DER
b. Dependent Variable: Tobins_Q

Sources: SPSS 22

From table 5, it can be seen that the coefficient of determination or R Square is 0.641, meaning that the effect of financial performance and capital structure on firm value with firm size as a moderating variable is only 64.1%. Meanwhile, 35.9% is explained or influenced by other variables that are not included in this research model.

4.1.3.2 F Test

Table 6. F Test

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1,379	5	,276	32,456	,000[b]
	Residual	,773	91	,008		
	Total	2,152	96			

a. Dependent Variable: Tobins_Q
b. Predictors: (Constant), DER_LNSIZE, LG_LNSIZE, NPM_LNSIZE, LG_NPM, LG_DER

Sources: SPSS 22

From the regression test in table 6, it is obtained that the calculated F is 32.456 and the significance value is 0.000, which is smaller than 0.05. This can be interpreted that the regression model used in this study is feasible for further testing.

4.1.4 Hypothesis Test

4.1.4.1T Test

Table 7. T Test

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-,765	,680		-1,124	,264
	LG_NPM	,001	,033	,004	,041	,967
	LG_DER	-,006	,046	-,016	-,126	,900
	LG_LNSIZE	,678	,475	,099	1,429	,156
	NPM_LNSIZE	-,013	,008	-,162	-1,549	,125
	DER_LNSIZE	,009	,001	,774	6,037	,000

a. Dependent Variable: Tobins_Q

Sources: SPSS 22

Based on the calculation above, obtained:
(1) Financial performance has no effect on firm value.
(2) Capital structure has no effect on firm value.
(3) Firm size has no effect on firm value.
(4) Company size is not able to moderate the effect of financial performance on firm value.
(5) Firm size is able to moderate the effect of capital structure on firm value.

4.1.4.2Moderated Regression Analysis (MRA)

Table 8. Moderated Regression Analysis (MRA)

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		

1	(Constant)	-,765	,680		-1,124	,264
	LG_NPM	,001	,033	,004	,041	,967
	LG_DER	-,006	,046	-,016	-,126	,900
	LG_LNSIZE	,678	,475	,099	1,429	,156
	NPM_LNSIZE	-,013	,008	-,162	-1,549	,125
	DER_LNSIZE	,009	,001	,774	6,037	,000

a. Dependent Variable: Tobins_Q

Sources: SPSS 22

Based on the test results with moderated regression analysis (MRA), the regression equation is obtained as follows:

Tobin's Q= -0,765+ 0,001 NPM- 0,006DER+ 0,678SIZE- 0,013 NPM*SIZE + 0,009 DER*SIZE + ε

4.2 DISCUSSION

4.2.1 The Effect of Financial Performance on Firm Value

Based on the results of the t test it is concluded that financial performance has no effect on firm value. This could be due to financial performance as measured by Net Profit Margin (NPM) which shows how much a company's ability to generate profit from net sales. A low NPM value reflects that the company is experiencing difficulties in achieving maximum net profit from each sale. This triggers problems related to the company's financial performance because the company will find it difficult to manage company costs such as increases in raw material costs, salary increases and interest expense payments. A low NPM will certainly affect investor interest in investing in the company, resulting in a decrease in the company's stock price followed by a decrease in the value of the company.

The results of this study support the research of Hermawan and Mafulah (2014) showing that financial performance has no effect on firm value.

4.2.2The Effect of Capital Structure on Firm Value

Based on the results of the t test it is concluded that capital structure has no effect on firm value. This can be caused by the capital structure which is proxied by the Debt to Equity Ratio (DER) which is the ratio between total debt and total equity or equity. A capital value that is greater than debt to a company cannot yet show the company's ability to optimize the use of debt to increase company value because in the capital market the movement of stock prices and the creation of added value of a company are also influenced by market conditions. In addition, the decrease in DER does not affect the increase in firm value. This shows that debt to a company cannot be used as a benchmark for investors because investors see how management uses these funds effectively and efficiently to achieve added value for the company. The size of the company's debt also does not affect the value of the company because companies with high debt can also have high company value and companies with low debt do not rule out the possibility of high company value.

The results of this study support the research of Irawan and Kusuma (2019) and Nuradawiyah and Susilawati (2020) which show that capital structure has no effect on firm value.

4.2.3 The Effect of Company Size on Firm Value

Based on the results of the t test it is concluded that firm size has no effect on firm value. This is because an investor, if he wants to assess a company, will not only look at the size of the company, but investors will review it from various aspects, such as paying attention to the company's performance as seen from the company's financial statements, the good name of the company, and dividend policy before deciding to invest. capital in a company. So that the size of the company will not affect the value of the company.

The results of this study support the research of Mudjijah, et al (2019) which shows that company size has no effect on firm value.

4.2.4 Company Size Moderates the Effect of Financial Performance on Firm Value

Based on the results of the t test it is concluded that company size is not able to moderate the effect of financial performance on firm value. This is because a company with a large size does not guarantee that the company is capable of producing good financial performance. Vice versa, a company with a small size does not guarantee that the company is capable of producing poor financial performance. So that the size of the company does not affect the relationship between financial performance and company value.

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The results of this study support Aisyah and Sartika's research (2022) which shows that company size is unable to moderate the effect of financial performance on firm value.

4.2.5 Company Size Moderates the Effect of Capital Structure on Firm Value

Based on the results of the t test it is concluded that firm size is able to moderate the effect of capital structure on firm value. This is because an optimal capital structure is needed because it optimizes the balance between risk and return. Small companies will tend to use their own capital rather than debt, while large companies are more likely to have strong sources of external funding. Companies that are growing will find it easier to gain the trust of creditors, so they tend to increase sources of funds from debt. An increase in company assets will affect management in deciding the funding sources to be used by the company in order to optimize the value of the company. If the size of the company gets bigger, it will strengthen the positive signal for potential investors so that the stock market price will increase.

The results of this study support the research of Santoso and Susilowati (2019) which shows that company size can moderate (strengthen) the relationship between capital structure and company value.

5. CONCLUSIONS AND SUGGESTIONS

5.1 Conclusions

1) Financial Performance has no effect on Firm Value. This can happen because a low NPM value reflects that the company is experiencing difficulties in achieving maximum net profit from each sale. A low NPM will certainly affect investor interest in investing in the company, resulting in a decrease in the company's stock price followed by a decrease in the value of the company.

2) Capital Structure has no effect on Firm Value. This can happen because debt to a company cannot be used as a benchmark for investors because investors see more how management uses these funds effectively and efficiently to achieve added value for the company.

3) Company Size has no effect on Firm Value. This can happen because an investor, if he wants to assess a company, will not only look at the size of the company, but investors will review it from various aspects, such as paying attention to the company's performance as seen from the company's financial statements, the good name of the company, and dividend policy before deciding to invest in a company. So that the size of the company will not affect the value of the company.

4) Company size is unable to moderate the effect of financial performance on firm value. This can happen because a company with a large size does not guarantee that the company is capable of producing good financial performance. Vice versa, a company with a small size does not guarantee that the company is capable of producing poor financial performance.

5) Company size is able to moderate the influence of Capital Structure on Firm Value. This can happen because small companies will tend to use their own capital rather than debt, while large companies are more likely to have strong sources of external funding. Companies that are growing will find it easier to gain the trust of creditors, so they tend to increase sources of funds from debt. An increase in company assets will affect management in deciding the funding sources to be used by the company in order to optimize the value of the company.

5.2 Suggestions

For future researchers, because (1) the results of research on financial performance, capital structure, and company size found no effect on the sample firm value that has been carried out, it is advisable to do another test because it is not in accordance with the prevailing theory. (2) changing proxies for financial performance, for example using Return on Assets (ROA) or Return on Equity (ROE), changing proxies for capital structure, for example using the Debt to Assets Ratio (DAR). (3) adding a sample of the companies under study, for example using all manufacturing companies in order to obtain more general research results.

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