

# THE EFFECT OF CAPITAL STRUCTURE, SALES GROWTH AND FINANCIAL PERFORMANCE ON COMPANY VALUE (Empirical Study on LQ45 Index Stock Companies for the 2017-2021 Period)

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## ABSTRACT

This study aims to determine the effect of capital structure, sales growth, and financial performance on company value. Company Value is the dependent variable, capital structure, sales growth and financial performance are independent variables. This type of research is quantitative with a population of 45 companies. This research was conducted at LQ45 Stock Index Companies listed on the IDX in 2017-2021, a sample of 21 companies with 5 years of observation, the sample determination method used was purposive sampling. The analytical method uses multiple regression analysis, T test and F test using Eviews 9. The results show that capital structure and financial performance have a positive and significant effect on company value. Sales growth has a negative and significant effect on company value. Meanwhile, capital structure, sales growth and financial performance simultaneous effect on company value.

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## 1. INTRODUCTION

Companies are institutions carried out by individuals or groups that sell goods or services to make a profit or profit. Today's modern companies are faced with very high business competition and difficult situations where a financial manager who can play a broad role is needed. The main purpose of the company in improving its performance is to maximize the prosperity of owners or shareholders through increasing company value [1]. Corporate value is very important for companies because of the value of the company which will be followed by high shareholder prosperity. Potential investors will prefer to invest in companies with optimal company value because it can provide optimal welfare to shareholders if the stock price rises.

At the beginning of 2021, it was shocked by news related to the stock market turmoil in a year on Covid conditions. The increase in stock prices under Covid conditions is an interesting phenomenon to discuss because it is related to the value of the company. On the day of the announcement of the first case of Covid-19, JCI closed down 1.68% to touch the level of 5,361. Stock investors responded unfavorably upon hearing of the first occurrence of Covid-19 on March 2, 2020. The composite stock price index (JCI) which had experienced a decline for several days in a row provided evidence of this. Since the index fell by 5% per day, trading was paused for 30 minutes (trading halt). On March 24, 2020, trading saw the peak of the JCI collapse. JCI then reached its lowest point since June 28, 2012, closing at 3,937. JCI also increased gradually after experiencing a considerable decline in just a matter of weeks. On March 2, 2021, the JCI reached a closing price of 6,359 in trading, up 16.62% from the JCI level when the Covid-19 case was first published. During the Covid-9 pandemic, the Indonesian capital market experienced tremendous volatility. One of them is the change in the role of domestic investors who are currently more regulated than foreign investors in the capital market. This is evident from the number of 3.87 million capital market investors as of the end of December 2020. Comparing this figure with all capital market investors as of the end of 2019, the figure reached 55.83%. The change of power was caused by several factors, including an increase in investment in the domestic stock market and a decrease in investment in the global stock market. Foreign investors have made net sales of Rp 53.82 trillion in all markets in 2020. It can be seen from the LQ45 index, which contains highly liquid stocks in the stock market, which rose 10.02% since the beginning of Covid-19 confirmation in Indonesia until March 2, 2021. Among LQ45 stocks, PT Aneka Tambang Tbk (ANTM) shares became the most profitable because they increased by 374.78% in a year of the Covid-19 pandemic to Rp 2,730 per share. Then another stock that also experienced a drastic increase amid the one-year-old

Covid-19 pandemic was PT Vale Indonesia Tbk (INCO) which rose 139.8% to Rp 5,875 per share. Following the shares of PT Indah Kiat Pulp and Paper Tbk (INKP) which rose 135.56% to IDR 13,250 per share [2].

Based on the phenomenon attached above, the phenomenon of rising stock prices in some LQ45 companies needs special attention where stock prices are often associated with company value. Because with changes in the company's stock price, it can change the image or view of investors on the value of the company. According to [1] "The higher the company's share price, the better the value of the company. This will invite investors to invest in the company.". Previous research has found empirical evidence that company value is influenced by several factors. These factors include capital structure, sales growth and financial performance of the company. Capital structure is an important issue for companies because good or bad capital structure will have a direct effect on the company's financial position, which in turn will affect the company's value [1]. In addition to capital structure, sales growth is also one of the factors in influencing the value of the company. Sales growth reflects the company's past achievements, and is used to predict the company's future achievements. Sales growth can also indicate a company's competitiveness in the market. If the company's sales growth is positive and increasing, it will indicate a high company value, which is the expectation of the company owner [3]. According to [4] stated that good growth prospects in the future indicated by sales growth can also illustrate that the company has the ability to provide high stock returns for investors.

Financial performance is also one of the factors that investors look at to determine in buying stocks. For companies, maintaining and improving financial performance is a must so that stocks that enter the group remain in demand by investors. Financial performance also shows the success of the company in operating the company stated in the financial statements. Financial ratios will show the movement of changes in financial conditions and the potential to manage company assets to increase company value. Company value will be the view or benchmark of investors on the success of a company in managing its resources. The more investors who are interested in buying shares of a company, the more the company's stock price will increase and the company's value will increase. The downward movement or increase in the stock price of a company will greatly determine the company's position among investors [5].

Previous research that tested the effect of capital structure on company value included [6] conducting research on the Effect of Capital Structure, and Profitability on Company Value. The results of the study show a positive influence between capital structure and company value. This is in line with the research of [1]. Research conducted by [3] states that capital structure negatively affects company value. However, this result is not in line with research conducted by [7] which shows that capital structure has no effect on company value. The study states that if the company changes its capital structure, the company's value will have no effect.

The results of research on sales growth conducted by [8], found that sales growth has a positive effect on company value. This is in line with research by [4] which states that sales growth has a positive effect on company value. However, different results were obtained by [9] in their research found that sales growth had no effect on company value. Research related to financial performance to company value has also been conducted by several previous researchers. These studies try to find the effect of financial performance on company value where it shows inconsistent results. Research conducted by [10], states that financial performance has a positive effect on company value. In research conducted by [11] stated that financial performance negatively affects company value. However, in contrast to research conducted by [12] shows that financial performance has no effect on company value.

Based on the results of previous research, there are still many factors that affect company value that have not shown consistency. And referring to the study, this study was conducted to further examine with independent variables of capital structure, sales growth and financial performance. The purpose of this research is to study and analyze the effect of capital structure, sales growth and financial performance on company value. The sample from this study used on LQ45 index stock companies during the period 2017-2021.

## 2. LITERATURE REVIEW

### Agency Theory

Agency theory explains the relationship between the owners (principals) in this case are shareholders (investors) with agents represented by company management. According to [7] agency theory explains the relationship between management and shareholders, where management has greater information than shareholders, causing conflicts between them and causing agency problems for the company. Agency relationships can cause problems when the parties concerned have different goals. The existence of these various interests, each company seeks to increase profits for itself. Agency theory

assumes that all individuals act in their own interests. Capital owners want to increase the wealth and prosperity of capital owners, while managers also want to increase welfare for managers (Wibowo, 2016). Agency theory is related to company value, where agency theory has a role as a basis for business practices carried out to increase company value and provide prosperity for the principal.

### **Signalling Theory**

Signalling Theory is a theory that explains about a company to provide information to external parties interested in an agreed employment contract. This theory provides an explanation of the reasons why companies have the urge to submit or provide information related to the company's financial statements for external parties [6]. The existence of this difference in information will encourage the company to provide better and complete information to external parties of the company (investors) so that the company can provide the information to increase the value of the company. According to [13] Signalling Theory describes that good quality companies will deliberately signal the market so that the market is expected to distinguish good and bad quality companies. Signals containing good and bad news remain informed to the public so that they can consider in making investment decisions. In investment decisions made by parties outside the firm, this signal theory emphasizes the importance of the information disclosed by the company. Signalling theory is based on the assumption that each party does not receive the same information. By having a lot of information, it can cause information asymmetry between company management to be one thing that must happen and is difficult to avoid.

According to [10] argue that to avoid information asymmetry, companies must provide information as a signal to investors. It is important to minimize information asymmetry, so that companies going public can transparently inform investors of the state of the company. Therefore, to respond to these problems and reduce information asymmetry that occurs, what can be done is to provide signals to outside parties through the company's financial statements in which there is credible or reliable company financial information and will provide certainty about the company's sustainability prospects in the future.

### **Company Value**

Company Value is as market value because the company can provide maximum shareholder prosperity if the company's stock price increases. Company value reflects investors' views on a company's level of success which is often associated with stock prices, so that if the stock price is high, the company's value can be high [7]. The main purpose of a company is to develop its business activities to increase the value of the company. Every company certainly wants a high company value and can attract the attention of investors. Maximizing shareholder wealth is one of the company's goals that cannot be ignored. Maximizing the value of the company means maximizing the present value of all profits that will be received by investors in the future, so every decision taken on the policy made by the company must consider the value of the company. Corporate value is a company's performance reflected by the share price formed by demand and supply in the capital market that reflects the community's assessment of performance [14]. A high stock price makes the value of the company high, and increases market confidence not only in the company's current performance but also in the company's future prospects. So it can be said that the higher the stock price, the higher the value of the company.

### **Capital Structure**

The capital structure is the specific incorporation or combination of own capital with external or debt capital in the financing activities of the company. Funding that uses capital structure must be carefully considered by the company, because the company's determination structure will affect the value of the company [7]. The capital structure of the company in its determination must involve risk and rate of return because with the increase in debt, the risk and expected rate of Return of the company will also increase.

The capital structure is a comparison between foreign capital and own capital used by a company to finance its assets [15]. Foreign capital which means long-term debt and short-term debt. While own capital consists of retained earnings and shareholders' equity. The optimal capital structure of a company is a combination of debt and equity that maximizes the company's stock price. The purpose of the capital structure is to integrate the sources of funding used by the company to increase the value of the company by maximizing the share price, minimizing the cost of capital and balancing risk and return.

### **Sales Growth**

Sales growth is the change in the number of sales from year to year. Sales growth can describe past investment achievements and can be used as a benchmark for growth in the future [4]. The sales growth

rate will affect the value of the company because the company is developing well which has a positive response from investors or investors because it has a low cost of capital [16]. Sales growth is defined as the change in sales from the initial year to the following year. Sales growth is an indicator of demand and competitiveness of enterprises in one industry. If sales growth is higher, it can increase the ability to pay dividends by the company because the company's revenue will rise [9]. Sales reflect the company's performance with a record of not being followed by an increase in costs that exceeds the sales growth rate. Companies that have increased profits, have a greater amount of retained earnings. An increase in the company's profit increases the amount of own capital derived from retained earnings.

### **Financial Performance**

Financial performance is an analysis that uses the rules of financial implementation properly and correctly, which has been done with the aim to see the extent to which a company that has implemented these rules. Financial statements in the form of balance sheets and income statements of a company, when prepared properly and accurately can provide a real picture of the state of affairs regarding the results of achievements achieved by a company during a certain period of time, these circumstances will be used to assess the performance of the company [10]. The financial performance of a company is the result of many individual decisions made continuously by the management of a company. [17] interpreted that financial performance as a result or achievement that has been achieved by the company's management in carrying out its function of effectively managing the company's assets during a certain period. For investors, this information about the company's performance can be used to see if they will keep their investment in the company or look for other alternatives. If the company's performance is good, the business value will be high. Companies with high performance indicate that the company is healthy and has good prospects. Investing in companies with good performance will reduce the risks faced by investors. High financial performance is a positive signal for investors against the company. With high financial performance will make investors look at the company to invest so that there will be an increase in stock prices.

### **Effect of capital structure, sales growth and financial performance together on the value of the company**

The capital structure is the specific incorporation or combination of own capital with external or debt capital in the financing activities of the company. Funding that uses capital structure must be carefully considered by the company, because the company's determination structure will affect the value of the company [7]. The larger the company's capital structure, the value of the company is also increasing. The company will not use its debt 100% in its capital structure. This is because the greater the debt, the greater the level of financial risk of the company.

Sales growth can describe past investment achievements and can be used as a benchmark for growth in the future [4]. By knowing the sales from the previous year, companies can optimize existing resources. Sales growth reflects the operational success of a company in the past and can be used as a prediction of sales growth for the future. Sales growth shows the company's ability to survive in competitive business conditions. Greater sales growth compared to increased costs will also result in increased company profits. The importance of the sales growth rate for the success of the company can be the center of attention for investors so that investors are interested in companies that have high sales.

According to [17] states that financial performance as a result or achievement that has been achieved by the company's management in carrying out its function of effectively managing the company's assets during a certain period. If the company's performance is in good condition, the business value will be high. Companies with high performance indicate that the company is healthy and has good prospects. Investing in companies with good performance will reduce the risks faced by investors. High financial performance is a positive signal for investors to the company. With high financial performance will make investors look at the company to invest so that there will be an increase in stock prices and increasing the value of the company.

H1: capital structure, sales growth and financial performance are expected to influence the value of the company together

### **The influence of capital structure on the value of the company**

Decision making in funding related to the capital structure that must be considered by the company, because the structure in determining the company is very influential on the value of the company. The capital structure is a comparison between foreign capital and own capital used by a company to finance its

assets [15]. Foreign capital which means long-term debt and short-term debt. While own capital is divided into retained earnings and shareholders' equity.

Signalling theory deals with capital structure, where capital structure or the use of debt is a signal conveyed by the manager to the market. If the company's debt is large, then the value and price of the stock will be higher because the increase in capital structure is higher than usual is a signal to investors with the type of risk taker that the company's prospects for the future will be good. This is in accordance with the signalling theory saying that companies with good prospects will use debt as a source of funding therefore the isyarat given by management to investors is considered good and results in stock prices rising. The results of a study conducted by [6] state that the capital structure affects the value of the company. This is supported by research results by [1], [9] and [10].

H2: capital structure is expected to affect the value of the company

### **Effect Of Sales Growth On Company Value**

Sales growth is the change in the number of sales from year to year. Sales growth can describe investment achievements in past periods and can be used as a benchmark for growth in the future [4]. By knowing the sales from the previous year, companies can optimize existing resources. Sales growth reflects the operational success of a company in the past and can be used as a prediction of sales growth for the future. Sales growth shows the company's ability to survive in competitive business conditions. Greater sales growth compared to increased costs will also result in increased company profits.

Broadly speaking, the signal theory, the existence of sales growth will signal the success in past investment periods and can be used as a prediction of sales growth for the future. The progress of the company's growth will affect the value of the company, where when the level of sales increases or increases, the company is in good condition, but conversely when sales growth decreases, there is market saturation, meaning the company is in poor condition. The results of a study conducted by [8] stated that sales growth has an effect on company value. This is supported by research results by [4].

H3: sales growth is expected to affect the value of the company.

### **Influence Of Financial Performance On The Value Of The Company**

According to [17] Rudianto (2013) states that financial performance as a result or achievement that has been achieved by the company's management in carrying out its function of effectively managing the company's assets during a certain period. For investors, this information about the company's performance can be used to see if they will keep their investment in the company or look for other alternatives. If the company's performance is good, the business value will be high. Companies with high performance indicate that the company is healthy and has good prospects. Investing in companies with good performance will reduce the risks faced by investors. High financial performance is a positive signal for investors to the company. With high financial performance will make investors look at the company to invest so that there will be an increase in stock prices.

The relationship between financial performance and signal theory is that if a company or entity has good financial performance, it will have an impact on stock prices, where the company will provide signals or information to external parties or investors. This signal will help external parties to see the financial condition or financial performance of a company, will be taken into consideration in investing company shares. If the ROA is high then it will be a good signal for the investors. Because with a high ROA shows good financial performance of the company, so investors will be interested in investing their funds in the form of securities or stocks. With a lot of stock demand, it will make the stock price increase. And the higher the stock price, the higher the value of the company. The results of a study conducted by [11] stated that financial performance affects the value of the company. This is supported by research results by [10], and [18].

H4: financial performance is expected to affect the value of the company

### **3. METHOD**

This study was conducted using quantitative research with secondary data. According to [19] quantitative research method is a research method based on the philosophy of positivism (using empiricism) which is used to research on a particular population or sample, data collection using objective research instruments and data analysis is statistical or quantitative, with the aim of testing the hypothesis that has been established.

In this study, the main data used is secondary data in the form of annual financial statements of companies included in the LQ 45 index on the Indonesia Stock Exchange for the period 2017-2021. The

research was conducted by accessing the official website of the Indonesia Stock Exchange, namely [www.idx.co.id](http://www.idx.co.id) and the official website of the company that supports in this study. In addition, researchers accessed Yahoo Finance to download the company's stock price report through the site [www.yahoofinance.com](http://www.yahoofinance.com).

This research was conducted on lq45 index stock companies listed on the Indonesia Stock Exchange for the period 2017-2021. The Data used in this study were obtained from the annual financial statements for 5 consecutive years in the lq45 index stock companies listed on the Indonesia Stock Exchange (IDX). This Data was obtained by accessing the official website of the Indonesia Stock Exchange, namely [www.idx.co.id](http://www.idx.co.id) and the official website of the company that supports this research. In addition, the researcher also accessed Yahoo Finance to download the company's stock price report through the site [www.finance.yahoo.com](http://www.finance.yahoo.com).

According to [19] the sample is part of the number and characteristics possessed by the population that is the source of data in the study. In this study, the sampling technique used is purposive sampling. Purposive sampling is a technique of determining the sample with certain considerations. According to [19], the reason for the selection of samples using the purposive sampling method is because not all samples have criteria that match the researchers specify. Therefore, the selected sample is deliberately determined based on certain criteria that have been determined by the researcher. The criteria for determining the research sample are as follows:

1. LQ45 stock index company listed on the Indonesia Stock Exchange (IDX) during 2017-2021.
2. These companies have financial statements for a period of 5 (five) consecutive years, namely during the period 2017 – 2021.
3. LQ45 stock index company publishes financial statements denominated in Rupiah (IDR).
4. LQ45 stock index companies that experienced consecutive profits during the 2017-2021.

### Operational Definition of Research Variable

Tabel 1. Operational Definition of Research Variable

Variable	Definition	Indicator	Size
Capital Structure (X1)	The capital structure is the specific incorporation or combination of own capital with external or debt capital in the financing activities of the company. Funding that uses capital structure must be carefully considered by the company, because the company's determination structure will affect the value of the company [7].	Using the formula Debt To Equity Rasio $DER = \frac{\text{Total Hutang}}{\text{Total Ekuitas}} \times 100\%$ Source: Yanti & Darmayanti (2019)	Ratio
Sales Growth (X2)	Sales growth is the change in the number of sales from year to year. Sales growth can describe past investment achievements and can be used as a benchmark for growth in the future [4].	Using the formula Sales Growth $\text{Sales Growth} = \frac{\text{Sales}(t) - \text{Sales}(t-1)}{\text{Sales}(t-1)}$ Sumber : Dolontelide & Wangkar (2019)	Ratio
Financial Performance (Y)	Financial statements in the form of balance sheets and income statements of a company, when prepared properly and accurately can provide a real picture of the state of affairs regarding the results of achievements achieved by a company during a certain period of time, these circumstances will be used to assess the performance of the company [10].	Using the ratio formula Return on Assets (ROA) $ROA = \frac{\text{Net Income After Tax}}{\text{Total Assets}} \times 100\%$ Sumber : Lesmana,dkk (2020)	Ratio
Company Value (Y)	Company value reflects investors' views on a company's level of success which is often associated with stock prices, so that if the stock price is high, the company's value can be high [7].	Using the ratio formula <i>Price to Book Value</i> (PBV) $PBV = \frac{\text{Share Price Per Share}}{\text{Book Value Per Share}}$ Source: Susanti, et al (2018)	Ratio

Data analysis in this study using panel data regression analysis, because in this study using a time span of several years and using more than one company. First, the use of time series data because in this study using a five-year time span, IE 2017-2021. Second, the use of cross-section because this study takes data from more than one company. The Data obtained were then processed using software Eviews (Econometric Views) version 9. Data analysis is done by making a descriptive statistical analysis and test the model, then choose a regression model and then perform a classic assumption test and hypothesis test.

#### 4. RESULT AND DISCUSSION

##### Descriptive Statistical Analysis

Table 2. Descriptive Statistical Test Results

	<b>NILAI PERUSAHAAN</b>	<b>STRUKTUR MODAL</b>	<b>PERTUMBUHAN PENJUALAN</b>	<b>KINERJA KEUANGAN</b>
<b>Mean</b>	<b>3.157536</b>	<b>0.861160</b>	<b>0.107350</b>	<b>0.098225</b>
Median	2.422553	0.685032	0.078017	0.093762
<b>Maximum</b>	<b>16.12830</b>	<b>4.457518</b>	<b>0.997472</b>	<b>0.293700</b>
<b>Minimum</b>	<b>0.115009</b>	<b>0.143710</b>	<b>-0.285249</b>	<b>0.004548</b>
<b>Std. Dev.</b>	<b>2.503602</b>	<b>0.727606</b>	<b>0.182553</b>	<b>0.058243</b>
Skewness	2.200948	2.229112	1.565060	1.199085
Kurtosis	10.78635	9.539216	8.959863	4.827578
Jarque-Bera Probability	300.0150 0.000000	234.8891 0.000000	169.9411 0.000000	34.09222 0.000000
Sum	284.1783	77.50442	9.661518	8.840227
Sum Sq. Dev.	557.8540	47.11750	2.965969	0.301915
Observations	90	90	90	90

Based on Table 2 above shows the results of descriptive statistics of each variable, obtained as many as 90 samples of lq45 stock index company data which will be described as follows:

1. The results of descriptive analysis that the variable value of the company has a minimum value of 0.115009 contained in the company PT Erajaya Swasembada Tbk (ERAA) in 2017 while the maximum value of 16.12830 contained in the company PT H.M. Sampoerna Tbk (HMSP) in 2017. And has a mean value in lq45 stock index companies listed on the Indonesia Stock Exchange in 2017-2021 of 3.157536 and a standard deviation value of 2.503602.
2. The results of descriptive analysis that the capital structure variable research has a minimum value contained in the company PT Mitra Keluarga Karyasehat Tbk (MIKA) in 2018 of 0.143710 while the maximum value contained in the company PT Sarana Menara Nusantara Tbk (TOWR) in 2021 of 4.457518. And has a mean value in the lq45 stock index company listed on the Indonesia Stock Exchange in 2017-2021 of 0.861160 and a standard deviation value of 0.727606.
3. The results of the descriptive analysis that the sales growth variable research has a minimum value contained in the company PT United Tractors Tbk (UNTR) in 2020 of -0.285249 while the maximum value contained in the company PT Aneka Tambang Tbk (ANTM) in 2018 of 0.997472. And has a mean value in lq45 stock index companies listed on the Indonesia Stock Exchange in 2017-2021 of 0.107350 and a standard deviation value of 0.182553.
4. The results of descriptive analysis that the research variable sales growth has a minimum value contained in the company PT Aneka Tambang Tbk (ANTM) in 2017 amounted to 0.004548 while the maximum value contained in the company PT H.M. Sampoerna Tbk (HMSP) in 2017 amounted to 0.293700. And has a mean value in the lq45 stock index company listed on the Indonesia Stock Exchange in 2017-2021 of 0.098225 and a standard deviation value of 0.058243.

#### Test Classical Assumptions

##### Normalitas Test

Normality test aims to test whether in the regression model performed in this study, the disruptive or residual variables have a normal distribution. The regression equation is said to be good if it has

independent variable data and the dependent variable is distributed close to normal or normal. Normality test data used in this study is Jarque-Bera test (JB) with significant probability testing criteria > 0.05.

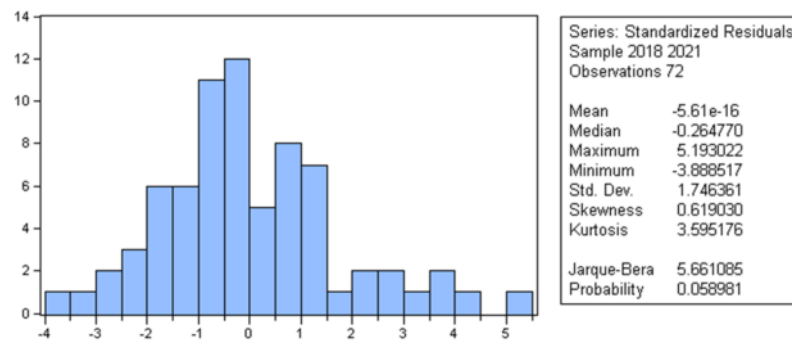


Figure 2 Normality Test Results

In Figure 4.1 shows that the probability value of Jarque-Bera is 0.058981 which means that the result is above the significant level of 5% so that the data is normally distributed and the classical assumptions in the regression model have met the assumption of normality.

### Hypothesis test results and discussion

#### 1. Simultaneous Test Results (F Test)

R-squared	0.415050	Mean dependent var	0.988468
Adjusted R-squared	0.394645	S.D. dependent var	1.472283
S.E. of regression	1.145503	Sum squared resid	112.8473
F-statistic	20.34038	Durbin-Watson stat	1.218658
Prob(F-statistic)	0.000000		
<b>Unweighted Statistics</b>			
R-squared	0.472499	Mean dependent var	3.157536
Sum squared resid	294.2683	Durbin-Watson stat	0.467336

Based on Table 3 simultaneous test results (t test) above can be seen that the value of F count of 20.34038 while T table at a significant level of 0.05  $df = (n-k-1) = (90-3-1) = 86$  is equal to 2.71. So that Fhitung is greater than Ftabel ( $2.71 > 20.34038$ ) with probability  $0.000000 < 0.05$  this means that the probability value is smaller than  $\alpha = 5\%$ , it can be concluded that the independent variables in this study are capital structure, sales growth, and financial performance together affect the dependent variable, namely the value of the company.

#### 2. Partial Test Results (T-Test)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.830515	0.748882	-1.109005	0.2705
STRUKTUR_MODAL	0.916366	0.378614	2.420314	0.0176
PERTUMBUHAN_PENJUALAN	-2.288266	0.792178	-2.888576	0.0049
KINERJA_KEUANGAN	35.06814	4.601650	7.620776	0.0000

Based on Table 4 t test results above can be seen Thitung value and significant values generated in each variable and the value of Ttable obtained from ( $df = n-k = 90-4 = 86$ ) at  $\alpha = 0.05$  ( $0.05 : 2 = 0.025$ ) is equal to 1.98793.

### Effect of capital structure, sales growth and financial performance on the value of the company

Hypothesis 1 in this study is the influence of capital structure, sales growth and financial

*The Effect Of Capital Structure, Sales Growth And Financial Performance On Company Value (Empirical Study on LQ45 Index Stock Companies for the 2017-2021 Period). Hari Stiawan, et.al*



performance on the value of the company. The simultaneous test results showed that the independent variables, namely capital structure, sales growth and financial performance together have a significant influence on the dependent variable of company value in the lq45 stock index companies listed on the Indonesia Stock Exchange in 2017-2021. After the calculation on the regression analysis of panel data using Eviews version 9 obtained value so that  $F_{hitung} > F_{table}$  ( $2.71 > 20.34038$ ) with probability ( $0.000000 < 0.05$ ).

#### **The Influence Of Capital Structure On The Value Of The Company**

Partial test results (t test) showed that the capital structure has a probability value of 0.0176 which means the value of the significance level is smaller than 0.05 then ( $0.0176 < 0.05$ ). The H2 hypothesis is accepted. This means that the capital structure (X1) proxied with Debt to Equity ratio (DER) has a positive effect on the value of companies proxied with Price to Book Value (PBV) in lq45 stock index companies listed on the Indonesia Stock Exchange in 2017-2021.

This result shows that the capital structure affects the value of the company. This means that the higher debt value (capital structure) is also able to increase the value of the company in the lq45 stock index company listed on the Indonesia Stock Exchange in 2017-2021. It can be concluded that companies with higher debt usage will be seen as companies that believe they can have good prospects in the future, because this can give an increase in the value of the company. This is in accordance with the signalling theory saying that companies with good prospects will use debt as a source of funding therefore the isyarat given by management to investors is considered good and results in stock prices rising.

The results of this study are in line with research conducted by [9], [6], [10] and [1] which states that the capital structure has a positive and significant effect on the value of the company. The results of this study are not in line with the results of the research of [18] which states that the capital structure does not affect the value of the company.

#### **Effect Of Sales Growth On Company Value**

Partial test results (t test) showed that sales growth has a probability value of 0.0046 which means smaller than 0.05 then ( $0.0046 < 0.05$ ). The H3 hypothesis is accepted. This means that sales growth (X2) proxied by Sales Growth has a negative and significant effect on the value of companies proxied by Price to Book Value (PBV) in lq45 stock index companies listed on the Indonesia Stock Exchange in 2017-2021.

The results of this study indicate that sales growth can have a negative effect on the value of the company. That is, sales growth affects the high and low value of the company. Sales growth reflects the operational success of a company in the past and can be used as a prediction of sales growth for the future. Sales growth shows the company's ability to survive in competitive business conditions. However, with a negative direction means that the lower the sales even investors still believe in the value of the company. Researchers have analyzed using a sample of companies, namely PT Astra Internasional Tbk where the minus sales growth that occurred in 2020 was caused by the Covid-19 pandemic, especially in the automotive division which experienced a decline in sales with the implementation of large-scale social restrictions (PSBB) as a measure to overcome the spread of covid. As a result, factory operations were closed and automotive dealers were also unable to operate optimally during the pandemic. The value of the company is also in good view due to the increased fixed capital, the amount of this capital increased by 5% from Rp186, 763 trillion in 2019 to Rp195, 454 trillion in 2020 caused by the capital paid by subsidiaries increased and dividends given in 2019 to 2020 increased.

The results of this study are in line with the results of research conducted by [4], and [8] which states that sales growth affects the value of the company. The results of this study are not in line with the results of research conducted by [9] which states that sales growth does not affect the value of the company.

#### **Influence Of Financial Performance On The Value Of The Company**

Partial test results (t test) showed that sales growth has a probability value of 0.0000 which means the value of the significance level is smaller than 0.05 then ( $0.0000 < 0.05$ ). The H4 hypothesis is accepted. This means that financial performance (X3) proxied by Return on assets (ROA) has a positive and significant effect on the value of companies proxied by Price to Book Value (PBV) in lq45 stock index companies listed on the Indonesia Stock Exchange in 2017-2021.

The results of this study indicate that financial performance has a positive effect on the value of the company. That is, the more financial performance is considered good means the better the prospects of the company in the future, meaning the better the value of the company in the eyes of investors. By looking at financial performance, investors can make a decision whether to invest or not. If the ROA is high then it will

be a good signal for the investors. Because with a high ROA shows good financial performance of the company, so investors will be interested in investing their funds in the form of securities or stocks. With a lot of stock demand, it will make the stock price increase. And the higher the stock price, the higher the value of the company.

The results of this study are in line with the results of research conducted by [11], [10], and [18] which states that financial performance affects the value of the company. The results of this study are not in line with the results of research conducted by [12] stating that financial performance does not affect the value of the company.

## 5. CONCLUSION

Based on the results of capital structure research, sales growth and financial performance simultaneously significantly affect the value of the company. Based on the results of capital structure research has a positive and significant effect on the value of the company. Based on the results of research sales growth has a negative and significant effect on the value of the company. Based on the results of Research Financial Performance has a negative and significant effect on the value of the company.

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