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FINANCE | RESEARCH ARTICLE

The Regression Effect of Capital Structure and Firm Growth on the Firm value

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Abstract: This study aims to determine and analyze the effects of capital structure, firm growth, and profitability on the firm value on the IDX. The population in this study were all manufacturing companies in the consumer goods industry sector, as many as 42 firms, and the number of samples was as many as 12 firms using the purposive sampling method. This study uses secondary data derived from the annual financial statements of manufacturing companies listed on the IDX. The data were analyzed using SPSS program. The results of this study indicate that capital structure and profitability have a negative and insignificant effect on the firm value on the IDX. The firm's growth has a positive and negligible impact on the firm value on the IDX. Trade Off Theory explains that if the position of the capital structure is below the optimal point, any additional debt will increase the firm's value. On the other hand, if the position of the capital structure is above the optimal threshold, any additional debt will reduce the firm's value. Statistically, the capital structure has a negative and insignificant effect on the firm value in the consumer goods industry sector listed on the IDX.

Keywords: Firm Value, Capital Structure, Firm Growth, Profitability.

JEL Classification Code: E6, F65, I22

1. INTRODUCTION

Companies in the manufacturing industry and current economic conditions have created competition. Competition makes every firm try to improve performance to achieve the goal of getting high profits so that businesspeople are required to be more creative and have a competitive advantage compared to their competitors. The firm as an organization must be able to manage and coordinate activities and functions within the firm properly (Rajapathirana & Hui, 2018). For the firm's goals to be achieved, it is necessary to have management and establish conducive financial policies. In addition, for the firm's activities to run well, sufficient working capital and business capital management are needed; managers can also efficiently run and improve their business, either through firm expansion (expansion) or establishing business networks with other companies. From a managerial perspective, the essence of the funding function is how the firm determines the optimal source of funds to fund various investment alternatives to maximize the firm's value, as reflected in the stock price (Raharjo & Wahyuni, 2019). The management leadership of a firm demands that both are obtaining and using funds be based on considerations of efficiency and effectiveness. This is intended to achieve the firm's goals, namely maximizing profits and firm value by increasing the value of shares and firm assets.

Fulfillment of firm funds can come from internal sources (internal financing) and external sources (external financing). The firm needs funds from internal sources, namely sources of funds that are formed or produced by themselves within the firm, usually in the form of retained earnings and depreciation. The firm's funding needs can also come from external sources, namely sources of funds from outside the firm that comes from creditors and owners, participants, or participants in the firm (Odit & Gobardhun, 2011). Every organization, both profit and non-profit sector will always face various problems that exist. And the problem that always arises and becomes an obstacle is the problem of funding. For companies, funds have a broad function. Sufficient funds can be used to finance the firm's investment activities. If the funds owned by the firm cannot finance these activities,



the firm can look for alternative funding sources. The function of the use of funds includes planning and controlling the use of assets in current assets and fixed assets so that the funds embedded in each element of these assets are not too small on the one hand so that they do not interfere with liquidity and business continuity, and on the other hand, are not too small—large numbers, causing unemployment funds. Therefore, the allocation of funds must be based on proper planning so that idle funds are small. Every decision related to using funds impacts the firm's financial condition. Alternative funding to finance the firm's activities will be considered. The firm can create a profitable combination by using funding sources from equity with funds from long-term debt. This concerns the issue of the existence of a firm's capital structure that describes the correct composition of long-term debt and equity because this funding source is one of the essential things for financial managers in increasing the firm's growth (Frank & Goyal, 2009). Determining a capital structure can help companies strategically target debt and equity levels. If the level of borrowing with capital or equity is below the target, the steps taken by the firm are issuing debt securities such as notes or bonds. The firm will issue shares if the loan rate with capital or equity is above the target (Brad et al., 2015). Along with increasing public knowledge in capital markets and the availability of funds from potential investors interested in investing their capital, capital structure has become one of the essential investment considerations. This is related to the risk and income that investors will receive. Investors need firm information such as financial statements to see the firm's capital structure. Investors will carry out various analyzes related to the decision to invest in the firm through information, one of which comes from the firm's financial statements. The optimal capital structure can be achieved if the system can minimize the weighted average capital cost with a high return rate in equity. Meanwhile, to obtain the minimum weighted average cost of capital, it is necessary to pay attention to the proposal for consideration of the components of the money used. In the sense that it is better if the features of the loan capital and own capital used by the firm can minimize the weighted average cost of capital and maximize the value of the firm so that the firm can achieve an optimal capital structure as a condition where the risks and returns are balanced so that the stock price can be maximized.

The firm's value shows investors' views on its achievements in managing its sources of funds. The more investors buy the firm's shares, the price will increase, and the firm's value will increase. The rise and fall of a firm's stock price determine the firm's value in investors' eyes (Al-Mulla & Bradbury, 2020; Flammer, 2021; Ullah et al., 2020). The higher the firm's worth, the more prosperous the firm's owner will be. The use of debt policy can be used to create the desired firm value, but debt policy also depends on firm growth which is also related to firm size. Large companies with a reasonable growth rate can easily access the capital market. This convenience indicates that large companies easily meet sources of funds from debt through the capital market; companies with reasonable firm growth rates will show the firm's ability to pay interest on the debt if they use debt to run the firm's operations. Companies that snowball generally gets positive results in strengthening their position on the competitive map, enjoying significantly increased sales and market share. Companies that grow fast also enjoy the benefits of a positive image, but companies must be extra careful because the success they have makes the firm vulnerable to negative issues. Some things that need attention are essential because they can be a source of negative news that describes the firm's ability to maintain, develop and build a match between quality and service with consumer expectations.

Companies that have proven to have good reputations and historically have a record of profit growth from year to year and consistently provide dividends to investors; the stock price is relatively high, and the rate of return in the form of dividends is also worth it (Baker et al., 2001). Stock prices reflect investment decisions, funding (including dividend policy), and asset management (Lou et al., 2021). The firm's value can also be influenced by the size of the profitability generated by the firm. Profitability is the ability of a firm to generate profits during a specific period. The profitability ratio is the firm's ability to earn profits concerning sales, total assets, and own capital (Annarelli et al., 2020). Retained earnings will be used as the leading choice in financing the firm so that in the capital structure, the use of debt will be lower in line with the increasing profitability of the firm. The effectiveness of management performance shows the firm's success in maximizing profits through business activities (Hery, 2019: 104). From the investor's point of view, one of the essential indicators

to assess the firm's prospects in the future is to see the extent to which the firm's profitability is growing (Liu et al., 2021; Lu & Chen, 2021). Competition in the manufacturing industry makes every manufacturing firm improve its performance so that its goals can still be achieved. One of the goals is to maximize shareholder prosperity through maximizing firm value (Edeling et al., 2020). Firm value is the firm's performance as reflected by the stock price formed by the demand and supply of the capital market, which reflects the public's assessment of the firm's version (Le, 2020). The importance of firm value makes investors and creditors more selective in investing and providing credit to companies. The firm's value will give a positive signal in the eyes of investors to invest in a firm.

In contrast, for creditors, the firm's value reflects its ability to pay its debts so that creditors do not feel worried about providing loans to the firm. Therefore, it is essential to study the firm's capital structure, profitability, and growth to know its effect on firm value in manufacturing companies listed on the IDX. Irimia-Diéguez et al. (2014) found evidence that capital structure, firm growth, and profitability positively and significantly affect firm value in the banking sector that is Go Public on the JSX. The capital structure variable has a dominant effect on firm value. Yuliana (2019) found evidence that capital structure has a negative and significant effect on firm value, profitability has a positive and significant impact on firm value, and firm size does not affect substantial value. Norvaišienė & Stankevičienė, (2012) found evidence that the capital structure of the food and beverage industry has a negative influence on the value of the food and beverage industry firm; in other words, if the firm's DER ratio increases by one unit, it causes the firm's value to decrease by 0.057. And investment decisions made by the management of food and beverage industry companies will be able to increase the profits generated by the firm so that it will attract investors to buy shares of industrial companies in the capital market, which will increase the firm's value in the capital market. Based on the background described previously, the researchers formulate the problem as follows: 1). Does the capital structure affect the firm value in the consumer goods industry sector listed on the IDX? 2). Does the firm's growth affect the firm value in the consumer goods industry sector listed on the IDX? 3). Does profitability affect the firm value in the consumer goods industry sector listed on the IDX? Based on the formulation of the problem above, this study aims: To determine and analyze the effect of capital structure, firm growth, and profitability on the firm value in the consumer goods industry sector on the IDX.

2. Literature Review

A capital structure is a balance or comparison between foreign capital and own capital. Foreign capital, in this case, is long-term and short-term debt. Meanwhile, own capital is divided into retained earnings and firm ownership. The optimal capital structure is the capital structure that optimizes the balance between risk and returns to maximize share prices. In the theory of Franco Modigliani and Merton Miller (MM) that an increase in debt can increase the value of the firm if it has not reached its optimal point; this is reinforced by the Trade-off theory, which explains that if the position of the capital structure is below the optimal threshold, any additional debt will increase the value of the firm (Modigliani & Miller, 1958). And vice versa, if the role of the capital structure is above the optimal point, any other obligation will reduce the firm's value. Therefore, assuming the target point of the optimal capital structure has not been achieved, it can be concluded that the capital structure positively affects firm value.

2.1. The Effect of Firm Growth on Firm Value Firm

Firm growth is often used as a benchmark in assessing the development of a firm. Companies with high growth rates concerning leverage should use equity as a source of financing, so there are no agency costs between shareholders and firm management; on the other hand, companies with low growth rates should use debt as a source of financing. It would require the firm to pay interest regularly. Safrida (2008), in his research, shows that firm growth has a direct and positive effect on changes in stock prices, which means that information about the firm's growth is responded to positively by investors so that it will increase stock prices and will indirectly increase firm value. The

free cash flow hypothesis theory states that companies with higher growth opportunities have low free cash flows because most of the available funds are used for investment in projects with positive NPV. From this explanation, it can be concluded that firm growth positively affects firm value.

2.2. Effect of Profitability on Firm Value Firm

Profitability is one way to accurately assess the extent of the return rate obtained from investment activities. The profitability ratio shows the firm's success in generating profits, to generate profits in its operations is the focus in assessing the firm's performance. The firm's profit is not only an indicator of its ability to fulfill obligations to its funders but also an element in creating firm value that shows the firm's prospects in the future. Irimia-Diéguez et al. (2014) suggests that high profitability indicates good firm prospects so that investors will respond positively, and firm value will increase. The increasing dividend payout shows the firm's prospects are improving so that investors will be interested in buying shares, and the firm's value will increase. So, it can be concluded that profitability positively affects firm value. Based on some of the descriptions above, to explain the relationship between the independent variables, namely capital structure, firm growth, and profitability on the dependent variable, the namely firm value used in this study, the research model is described as follows:

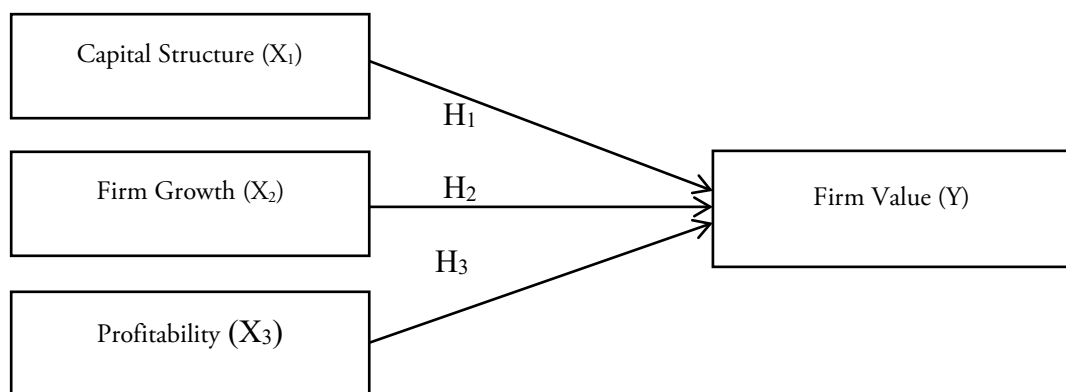


Figure 1: Conceptual Framework

2.3. Hypothesis

The hypothesis is a temporary answer to the research problem formulation. Based on the background, leading problems, and the results of previous studies that have been mentioned, the hypotheses that are used as the basis for the discussion are:

- H1: The capital structure has a positive and significant effect on the firm value in the consumer goods industry sector listed on the IDX.
- H2: Firm growth has a positive and significant impact on the firm value in the consumer goods industry sector listed on the IDX.
- H3: Profitability has a positive and significant effect on the firm value in the consumer goods industry sector listed on the IDX.

3. Research Method and Materials

3.1. Study Approach

The approach used in this research is an associative research approach with a causal relationship where there are independent variables and dependent variables. Judging from the data obtained, this research is a type of quantitative research because it refers to the calculation of research data in the form of numbers. The variables of this study include capital structure, firm growth, and profitability as independent variables (independent) and firm value as dependent variables (dependent). This research was conducted on representatives of PT. IDX in the Investment Gallery of the IDX, which takes a sample of Manufacturing Companies in the Consumer Goods Industry Sector listed on the IDX as the research object—considering the stock exchange as an institution that mediates the firm's parties in meeting funding needs and carrying out their business activities on the IDX. The research time is approximately 3 (three) months, from December 2019 to February 2020.

3.2. Data and Materials

The type of data used in this study is quantitative data, namely data obtained in the form of numbers, and still needs to be analyzed returns accepted from the Annual Reports of each manufacturing firm in the Consumer Goods Industry Sector under study, such as financial statements received from the IDX. Researched Consumer Goods Industry. The data was taken from 2020 to 2020 and obtained from the publication of the annual financial statements of manufacturing companies in the Consumer Goods Industry Sector on the IDX 2020 to 2020. Researchers conducted a documentation study of the financial statements of Manufacturing Companies in the Consumer Goods Industry Sector listed on the Stock Exchange. Indonesia for 4 (four) years starting from 2020 to 2020, published by the IDX and to obtain the data needed according to the needs of this research the data to be formulated into an analytical model. The population in this study was 42 manufacturing companies, especially the consumer goods industry sector companies listed on the IDX from 2017 to 2020. The sample determination in this study was the purposive sampling method. As for the sample criteria used, among others: first, Manufacturing Companies in the Consumer Goods Industry Sector listed on the IDX publish annual financial reports as of December 31 wholly and consistently from 2020-2020. Second, the Consumer Goods Industry Sector Firm must earn a profit during the 2020-2020 observation period. Third, have the completeness of the required information related to the calculation indicators used as variables in this study. Based on the sample selection criteria, 12 Manufacturing Companies, especially the Consumer Goods Industry Sector, were obtained as samples in this study. The list of samples used in this study can be seen in the following table 1.

Table 1: Sample List of Manufacturing Companies in the Consumer Goods Industry Sector Listed on the IDX in 2020-2020

No.	Code	Firm Name
1	ADES	PT. Akasha Wira Internasional, Tbk
2	AISA	PT. Tiga Pilar Sejahtera Food, Tbk
3	CEKA	PT. Wilmar Cahaya Indonesia, Tbk
4	DLTA	PT. Delta Djakarta, Tbk
5	GGRM	PT. Gudang Garam, Tbk
6	INDF	PT. Indofood Sukses Makmur, Tbk
7	MLBI	PT. Multi Bintang Indonesia, Tbk
8	MYOR	PT. Mayora Indah, Tbk
9	PSDN	PT. Prasida Aneka Niaga, Tbk
10	TCID	PT. Mandom Indonesia, Tbk
11	ULTJ	PT. Ultrajaya Milk, Tbk
12	UNVR	PT. Unilever Indonesia, Tbk

3.3. Data analysis method



The analytical method used in data analysis is Quantitative Analysis; The analysis used in this study is multiple regression analysis with the help of Statistical Packages for Social Science (SPSS) 20. With the following equation model:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Information:

Y : Firm Value
 α : Constant
 X1 : Capital Structure
 $\beta_1, \beta_2, \beta_3$: Coefficient
 X2 : Firm Growth
 ε : Error
 X3 : Profitability

The stages in data analysis in the linear regression model are Normality Test, Hypothesis Testing, F-test (simultaneous test), t-test (partial), where this test is carried out by comparing t-calculated with t-estimated at a significant level of 5%.

4. Results and Discussion

4.1. Descriptive Financial Data of Manufacturing Companies in the Consumer Goods Industry Sector on the IDX

The financial condition of Manufacturing Companies in the Consumer Goods Industry Sector on the IDX can be seen in the financial statements of 12 companies from 2017 to 2020. For this analysis, we will examine the financial data of 12 Manufacturing Companies in the Consumer Goods Industry Sector on the IDX: (1) PT. Akasha Wira Internasional, Tbk (ADES); (2) PT. Tiga Pilar Sejahtera Food, Tbk (AISA); (3) PT. Wilmar Cahaya Indonesia, Tbk (CEKA); (4) PT. Delta Djakarta, Tbk (DLTA); (5) PT. Gudang Garam, Tbk (GGRM); (6) PT. Indofood Sukses Makmur, Tbk (INDF); (7) PT. Multi Bintang Indonesia, Tbk (MLBI); (8) PT. Mayora Indah, Tbk (MYOR); (9) PT. Prasida Aneka Niaga, Tbk (PSDN); (10) PT. Mandom Indonesia, Tbk (TCID); (11) PT. Ultrajaya Milk, Tbk (ULTJ); and (12) PT. Unilever Indonesia, Tbk (UNVR). Economic data from the twelve Manufacturing Companies in the Consumer Goods Industry Sector on the IDX that will be analyzed are capital structure, firm growth, profitability, and firm value. Before examining the capital structure, firm growth, profitability, and firm value from 2017 to 2020 of the twelve Consumer Goods Industry Manufacturing Companies on the IDX, we will first describe the financial data needed in the analysis, namely total debt, total equity, and sales value. The complete debt data for 2017-2020 on Manufacturing Companies in the Consumer Goods Industry Sector on the IDX can be seen in the following table.

Table 2: Total Debt Data

Firm Code	Total Debt (Rp. Million)				Average (Rp. Million)
	2017	2018	2019	2020	
PT ADES	210.845	324.855	383.091	417.225	334.004
PT AISA	3.787.932	5.094.073	4.990.139	5.319.855	4.797.999,75
PT CEKA	746.598	845.932	538.044	489.592	655.041,5
PT DLTA	237.047	188.700	185.423	196.197	201.841,75
PT GGRM	25.099.875	25.497.504	23.387.406	24.572.266	24.639.262,75
PT INDF	45.803.053	48.709.933	38.233.092	41.182.764	43.482.210,5
PT MLBI	1.677.254	1.334.373	1.454.398	1.445.173	1.477.799,5
PT MYOR	6.220.961	6.148.256	6.657.166	7.561.503	6.646.971,5
PT PSDN	250.785	296.080	373.512	391.495	327.968
PT TCID	569.731	367.226	401.942	503.481	460.595

Firm Code	Total Debt (Rp. Million)				Average (Rp. Million)
	2017	2018	2019	2020	
PT ULTJ	644.827	742.490	749.966	978.185	778.867
PT UNVR	9.681.888	10.902.585	12.041.437	13.733.025	11.589.733,75

Source: IDX

The data in Table 2 can be explained by the fact that the total debt to manufacturing companies in the Consumer Goods Industry Sector on the IDX has increased every year from 2017 to 2020, except for PT Tiga Pilar Sejahtera Food Tbk (AISA), PT Wilmar Cahaya Indonesia Tbk (CEKA), PT Delta Djakarta Tbk (DLTA), PT Gudang Garam Tbk (GGRM), PT Indofood Sukses Makmur Tbk (INDF), PT Multi Bintang Indonesia Tbk (MLBI), PT Mayora Indah Tbk (MYOR), and PT Mandom Indonesia Tbk (TCID). The total equity data for 2017-2020 in manufacturing companies in the consumer goods industry sector on the IDX, can be seen in the following table.

Table 3: Total Equity Data

Firm Code	Total Equity (Rp. Million)				Average (Rp. Million)
	2017	2018	2019	2020	
PT ADES	292.145	328.369	384.388	423.011	356.978,25
PT AISA	3.585.936	3.966.907	4.264.400	3.404.879	3.805.530,5
PT CEKA	537.551	639.893	887.920	903.044	742.102
PT DLTA	760.396	849.621	1.012.374	1.144.645	941.759
PT GGRM	33.134.403	38.007.909	39.564.228	42.187.664	38.223.551
PT INDF	40.274.198	43.121.593	43.941.423	46.756.724	43.523.484,5
PT MLBI	533.797	766.480	820.640	1.064.905	796.455,5
PT MYOR	4.077.036	5.194.460	6.265.256	7.354.346	5.722.774,5
PT PSDN	371.723	324.319	280.285	299.485	318.953
PT TCID	1.283.504	1.714.871	1.783.159	1.858.326	1.659.965
PT ULTJ	2.273.307	2.797.507	3.489.234	4.208.755	3.192.200,75
PT UNVR	4.598.782	4.827.360	4.704.258	5.173.388	4.825.947

Source: IDX

The data in Table 3 can be explained by the fact that the total equity in manufacturing companies in the Consumer Goods Industry Sector on the IDX has increased every year from 2017 to 2020, except for PT Tiga Pilar Sejahtera Food Tbk (AISA), PT Prasida Aneka Niaga Tbk (PSDN), and PT Unilever Indonesia Tbk (UNVR). The sales data for 2017-2020 at the Consumer Goods Industrial Sector Manufacturing Firm on the IDX can be seen in the following table 4.

Table 4: Net Sales data

Firm Code	Net Sales (Rp. Million)				Average (Rp. Million)
	2017	2018	2019	2020	
PT ADES	578.784	669.725	887.663	814.490	737.665,5
PT AISA	5.139.974	6.010.895	6.545.680	4.920.632	5.654.295,25
PT CEKA	3.701.868	3.485.733	4.115.542	4.257.738	3.890.220,25
PT DLTA	879.253	699.507	774.968	777.308	782.759
PT GGRM	65.185.850	70.365.573	76.274.147	83.305.925	73.782.873,75
PT INDF	63.594.452	64.061.947	66.659.484	70.186.618	66.125.625,25
PT MLBI	2.988.501	2.696.318	3.263.311	3.389.736	3.084.466,5
PT MYOR	14.169.088	14.818.731	18.349.960	20.816.674	17.038.613,25
PT PSDN	975.081	884.907	932.906	1.399.580	1.048.118,5
PT TCID	2.308.204	2.314.890	2.526.776	2.706.395	2.464.066,25
PT ULTJ	3.916.789	4.393.933	4.685.988	4.879.559	4.469.067,25
PT UNVR	34.511.534	36.484.030	40.053.732	41.204.510	38.063.451,5

Source: IDX

The data in Table 4 can be explained by the fact that net sales of manufacturing companies in the Consumer Goods Industry Sector on the IDX have increased every year from 2017 to 2020, except

for PT Tiga Pilar Sejahtera Food Tbk (AISA), PT Wilmar Cahaya Indonesia Tbk (CEKA), PT Delta Djakarta Tbk (DLTA), PT Multi Bintang Indonesia Tbk (MLBI), and PT Prasida Aneka Niaga Tbk (PSDN).

4.2. Value Analysis of Manufacturing Companies in the Consumer Goods Industry Sector on the IDX

Firm value is the price that prospective buyers are willing to pay if the firm is sold. A high firm value will make the market believe not only in the firm's performance but also in the firm's prospects in the future. Firm value is measured by the Market Book Ratio (MBR). A Market to Book Ratio is a comparison between the market price per share and the book value of equity per share. The recapitulation of the calculation of the value of the Manufacture of the Consumer Goods Industry Sector on the IDX from 2017 to 2020 can be seen in table 5.

Table 5: Firm Value Data

Firm Code	Firm Value (MBR) %				Average (%)
	2017	2018	2019	2020	
PT ADES	14,21	13,40	12,38	11,81	12,95
PT AISA	43,39	41,25	39,78	44,53	42,24
PT CEKA	166,21	152,15	129,53	128,25	144,04
PT DLTA	45,89	43,44	39,84	37,40	41,64
PT GGRM	53,89	50,32	49,31	47,75	50,32
PT INDF	46,68	45,13	44,72	43,31	44,96
PT MLBI	1,99	1,66	1,60	1,41	1,67
PT MYOR	104,71	92,77	2,67	2,47	50,67
PT PSDN	8,24	8,82	9,42	9,17	8,91
PT TCID	88,53	76,56	75,08	73,56	78,43
PT ULTJ	5,04	4,54	128,56	117,04	63,80
PT UNVR	1,29	1,26	1,27	1,21	1,26

Source: IDX

The data in table 5 shows that the value of the Consumer Goods Industrial Sector Manufacturing firm on the IDX fluctuated during 2017 to 2020 with an average value varying from 1.26% to 144.04%, namely PT Akasha Wira Internasional Tbk (ADES) of 12.95%, PT Tiga Pilar Sejahtera Food Tbk (AISA) at 42.24%, PT Wilmar Cahaya Indonesia Tbk (CEKA) at 144.04%, PT Delta Djakarta Tbk (DLTA) at 41.64%, PT Gudang Garam Tbk (GGRM) of 50.32%, PT Indofood Sukses Makmur Tbk (INDF) of 44.96%, PT Multi Bintang Indonesia Tbk (MLBI) of 1.67%, PT Mayora Indah Tbk (MYOR) of 50.67%, PT Prasidha Aneka Niaga Tbk (PSDN) at 8.91%, PT Mandom Indonesia Tbk (TCID) at 78.43%, PT Ultrajaya Milk Tbk (ULTJ) at 63.80%, and PT Unilever Indonesia Tbk (UNVR) at 1.26%. The value of companies that occupy the lowest proportion, such as PT Unilever Indonesia Tbk (UNVR) and PT Multi Bintang Indonesia Tbk (MLBI), should be increased by effectively empowering the firm's capital to support the firm's maximum growth rate in the future.

4.3. Capital Structure Analysis of Manufacturing Companies in the Consumer Goods Industry Sector on the IDX

The capital structure is the balance of the amount of permanent short-term debt, long-term debt, preferred stock, and common stock. The capital structure can be measured using the debt-to-equity ratio (DER). The debt-to-equity ratio can show the level of risk of a firm, where the higher the DER ratio, the higher the risk of a firm because the firm's funding from debt is greater than its own capital (equity); this has an impact on decreasing stock prices on the stock so that returns on the stock will decrease. The recapitulation of the calculation of the capital structure of the Consumer Goods

Industrial Sector Manufacturing companies on the IDX from 2017 to 2020 can be seen in table 6 below.

Table 6: Capital Structure Calculations

Firm Code	Capital Structure (DER) %				Average (%)
	2017	2018	2019	2020	
PT ADES	72,17	98,93	99,66	98,63	92,35
PT AISA	105,63	128,41	117,02	156,24	126,83
PT CEKA	138,89	132,20	60,60	54,22	96,47
PT DLTA	31,17	22,21	18,32	17,14	22,21
PT GGRM	75,75	67,08	59,11	58,25	65,05
PT INDF	113,73	112,96	87,01	88,08	100,44
PT MLBI	314,21	174,09	177,23	135,71	200,31
PT MYOR	152,59	118,36	106,26	102,82	120
PT PSDN	67,47	91,29	133,26	130,72	105,69
PT TCID	44,39	21,41	22,54	27,09	28,86
PT ULTJ	28,37	26,54	21,49	23,24	24,91
PT UNVR	210,53	225,85	255,97	265,46	239,45

Source: IDX

The data in table 6 shows that the capital structure of the Consumer Goods Industry Manufacturing firm on the IDX fluctuated during 2017 to 2020 with an average value varying from 22.21% to 239.45%, namely PT Akasha Wira Internasional Tbk (ADES) of 92.35%, PT Tiga Pilar Sejahtera Food Tbk (AISA) of 126.83%, PT Wilmar Cahaya Indonesia Tbk (CEKA) of 96.47%, PT Delta Djakarta Tbk (DLTA) of 22.21%, PT Gudang Garam Tbk (GGRM) at 65.05%, PT Indofood Sukses Makmur Tbk (INDF) at 100.44%, PT Multi Bintang Indonesia Tbk (MLBI) at 200.31%, PT Mayora Indah Tbk (MYOR) at 120%, PT Prasih Aneka Niaga Tbk (PSDN) at 105.69%, PT Mandom Indonesia Tbk (TCID) at 28.86%, PT Ultrajaya Milk Tbk (ULTJ) at 24.91%, and PT Unilever Indonesia Tbk (UNVR) at 239.45%. The capital structure that occupies the lowest proportion is PT Delta Djakarta Tbk (DLTA) and PT Ultrajaya Milk Tbk (ULTJ) in order to maximize their management, especially those related to the use of debt and own capital to support the increase in firm value in the future.

4.4. Growth Analysis of Manufacturing Companies in the Consumer Goods Industry Sector on the IDX

Firm growth is the firm's ability to provide positive aspects for the firm so as to increase investment opportunities in the firm. One way to measure the firm's growth rate is by looking at its sales growth, which is the difference between the total sales of this period and the previous period compared to the sales of the previous period. The recapitulation of the calculation of the growth of the Consumer Goods Industrial Sector Manufacturing firm on the IDX from 2017 to 2020, can be seen in the following table 7.

Table 7: Firm Growth Data

Firm Code	Growth (%)				Average (%)
	2017	2018	2019	2020	
PT ADES	15,18	15,71	32,54	-8,24	13,80
PT AISA	26,70	16,94	8,90	-24,83	6,93
PT CEKA	46,21	-5,84	18,07	3,46	15,47
PT DLTA	1,41	-20,44	10,79	0,30	-1,99
PT GGRM	17,59	7,95	8,40	9,22	10,79
PT INDF	14,33	0,74	4,05	5,29	6,10
PT MLBI	-16,10	-9,78	21,03	3,87	-0,24
PT MYOR	17,90	4,58	23,83	13,44	14,94
PT PSDN	-23,80	-9,25	5,42	50,02	5,60
PT TCID	13,82	0,29	9,15	7,11	7,59
PT ULTJ	13,19	12,18	6,65	4,13	9,04

Firm Code	Growth (%)				Average (%)
	2017	2018	2019	2020	
PT UNVR	12,21	5,72	9,78	2,87	7,64

Source: IDX

The data in table 7 shows that the growth of the Consumer Goods Industrial Sector Manufacturing firm on the IDX fluctuated during 2017 to 2020 with an average value varying from -1.99% to 15.47%, namely PT Akasha Wira Internasional Tbk (ADES) of 13.80%, PT Tiga Pilar Sejahtera Food Tbk (AISA) of 6.93%, PT Wilmar Cahaya Indonesia Tbk (CEKA) of 15.47%, PT Delta Djakarta Tbk (DLTA) of -1.99%, PT Gudang Garam Tbk (GGRM) at 10.79%, PT Indofood Sukses Makmur Tbk (INDF) at 6.10%, PT Multi Bintang Indonesia Tbk (MLBI) at -0.24%, PT Mayora Indah Tbk (MYOR) at 14.94%, PT Prasadha Aneka Niaga Tbk (PSDN) at 5.60%, PT Mandom Indonesia Tbk (TCID) at 7.59%, PT Ultrajaya Milk Tbk (ULTJ) at 9.04%, and PT Unilever Indonesia Tbk (UNVR) of 7.64%. The growth of companies that occupy the lowest proportion, such as PT Delta Djakarta Tbk (DLTA) and PT Multi Bintang Indonesia Tbk (MLBI), need to maximize their management so that firm growth can increase the value of the firm's profits in the future.

4.5. Profitability Analysis of Manufacturing Companies in the Consumer Goods Industry Sector on the IDX

Profitability shows the percentage of profit (net income) obtained by the firm in relation to overall resources or the average number of assets. In other words, Return on Assets (ROA) is a ratio that measures how efficient a firm is in managing its assets to generate profits over a period. The recapitulation of the calculation of the profitability of the Consumer Goods Industrial Sector Manufacturing companies on the IDX from 2017 to 2020 can be seen in the following table 8.

Table 8: Profitability Data

Firm Code	Profitability (ROA) %				Average (%)
	2017	2018	2019	2020	
PT ADES	2,49	2,24	2,70	2,13	2,39
PT AISA	2,26	2,03	2,79	3,12	2,55
PT CEKA	1,79	2,68	4,18	2,78	2,86
PT DLTA	5,38	4,30	4,61	4,57	4,72
PT GGRM	3,04	3,19	3,26	3,41	3,23
PT INDF	2,47	2,01	2,53	2,42	2,36
PT MLBI	5,97	4,86	6,57	7,26	6,17
PT MYOR	1,99	3,32	3,28	3,31	2,98
PT PSDN	2,11	2,62	2,37	2,16	2,32
PT TCID	3,07	5,11	2,72	2,75	3,41
PT ULTJ	3,11	3,84	4,09	3,70	3,69
PT UNVR	6,34	6,10	6,18	6,09	6,18

Source: IDX

The data in table 8 shows that the profitability of the Consumer Goods Manufacturing Industry Sector on the IDX fluctuated during 2017 to 2020 with an average value varying from 2.32% to 6.18%, namely PT Akasha Wira Internasional Tbk (ADES) of 2.39%, PT Tiga Pilar Sejahtera Food Tbk (AISA) at 2.55%, PT Wilmar Cahaya Indonesia Tbk (CEKA) at 2.86%, PT Delta Djakarta Tbk (DLTA) at 4.72%, PT Gudang Garam Tbk (GGRM) of 3.23%, PT Indofood Sukses Makmur Tbk (INDF) of 2.36%, PT Multi Bintang Indonesia Tbk (MLBI) of 6.17%, PT Mayora Indah Tbk (MYOR) of 2.98%, PT Prasadha Aneka Niaga Tbk (PSDN) at 2.32%, PT Mandom Indonesia Tbk (TCID) at 3.41%, PT Ultrajaya Milk Tbk (ULTJ) at 3.69%, and PT Unilever Indonesia Tbk (UNVR) at 6.18%. PT Prasadha Aneka Niaga Tbk (PSDN) and PT Akasha Wira Internasional Tbk

(ADES), to maximize their management, especially profitable or promising future profits so that many investors will invest their funds to buy shares of the firm.

4.6. Statistical Descriptive Analysis of Research Variables

Variable descriptions in descriptive statistics used in this study include the number of samples (N), minimum value, maximum value, sample mean (mean), and standard deviation of one dependent variable and three independent variables. Descriptive statistics are concerned with collecting and ranking data. Descriptive statistics describe the character of the sample used in this study. The distribution of descriptive statistics for each variable is shown in Table 9 below:

Table 9: Results of Data Descriptive Analysis

	N	Range	Minimum	Maximum	Sum	Mean		Std. Deviation	Variance
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Statistic
Firm Value	48	165,00	1,21	166,21	2163,44	45,0717	6,47117	44,83360	2010,052
Capital Structure	48	297,07	17,14	314,21	4890,30	101,8813	10,07623	69,81017	4873,460
Firm Growth	48	74,85	-24,83	50,02	382,69	7,9727	2,12124	14,69639	215,984
Profitability	48	5,47	1,79	7,26	171,30	3,5687	,20963	1,45239	2,109
Valid N (listwise)	48								

Table 9 shows that the number of samples of observations on manufacturing companies in the consumer goods industry sector on the IDX from 2017 to 2020 in this study is 48. The firm value data, a model of the dependent variable (Y), shows a minimum value of 1.21 and a maximum data of 166.21, with a range value of 165.00. And the mean, or average value, is 45.0717, with the average sample dispersion (stock exchange) of 44.83360. The minimum value of the capital structure variable (X1) is 17.14, and the maximum is 314.21, with a range value of 297.07. And the average value (mean) is 101.8813 with a standard deviation of 69.81017. The value of the capital structure variable above number 1 indicates that companies tend to use debt as a source of firm funding. The minimum value of the firm growth variable (X2) is -24.83, and the maximum value is 50.02, with a range value of 74.85. And the average value (mean) is 7.9727 with a standard deviation of 14.69639. The minimum value of the profitability variable (X3) is 1.79, and the maximum value is 7.26, with a range value of 5.47. And the average value (mean) is 3.5687 with a standard deviation of 1.45239.

4.7. Analysis of Research Results

a. Normality test

Testing the normality of the data was carried out using the graphical analysis method, looking at the normal probability plot, and using the Kolmogorov-Smirnov (K-SZ) analysis technique. Normal data distribution is shown if the probability (significance) is greater than 0.05. The results of normality testing are as follows.

Table 10: Kolmogorov Smirnov Test

		Unstandardized Residual	Firm Value	Capital Structure	Firm Growth	Profitability
N		48	48	48	48	48
Normal Parameters ^{ab}	Mean	0E-7	45,0717	101,8813	7,9727	3,5688
	Std. Deviation	40,92442286	44,83360	69,81017	14,69639	1,45239
Most Extreme Differences	Absolute	,195	,183	,112	,134	,193
	Positive	,195	,183	,111	,121	,193
	Negative	-,082	-,164	-,112	-,134	-,118
Kolmogorov-Smirnov Z		1,350	1,265	,779	,928	1,337
Asymp. Sig. (2-tailed)		,052	,082	,579	,356	,056

Based on table 10 shown, all data have been normally distributed, which is indicated by the significance value of the Kolmogorov Smirnov test greater than 0.05.

b. Multicollinearity Test

The multicollinearity test aims to test whether the regression model found a correlation between the independent variables (independent). Ghozali (2005) states that a good regression model should not correlate with the independent variables. To detect the presence or absence of multicollinearity in the regression model is as follows: first, analyze the independent variables' correlation matrix. If there is a reasonably high correlation between independent variables (generally above 0.90), then this is an indication of multicollinearity. The absence of a high correlation between independent variables does not mean that they are free from multicollinearity, which can be caused by the effect of a combination of two or more independent variables. Second, multicollinearity can also be seen from (1) tolerance and its opposite, (2) the variance inflation factor (VIF). These two measures show the other independent variables explain each independent variable. In a simple sense, each independent variable becomes dependent (bound) and is regressed to different independent variables. The value used to indicate the presence of multicollinearity is the tolerance of 0.10 or equal to the VIF value of 10. The results of the multicollinearity test are as follows: 11.

Table 11: Test Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	82,283	17,889		4,600	,000		
	Capital Structure	-,181	,096	-,281	-1,879	,067	,847	1,181
	Firm Growth	,225	,430	,074	,523	,604	,953	1,050
	Profitability	-5,776	4,719	-,187	-1,224	,227	,810	1,234

Table 12: Test Coefficients Correlations

		Firm Value	Capital Structure	Firm Growth	Profitability
Pearson Correlation	Firm Value	1,000	-,355	,119	-,311
	Capital Structure	-,355	1,000	-,021	,387
	Firm Growth	,119	-,021	1,000	-,208
	Profitability	-,311	,387	-,208	1,000
Sig. (1-tailed)	Firm Value	.	,007	,211	,016
	Capital Structure	,007	.	,443	,003
	Firm Growth	,211	,443	.	,078
	Profitability	,016	,003	,078	.
N	Firm Value	48	48	48	48
	Capital Structure	48	48	48	48
	Firm Growth	48	48	48	48
	Profitability	48	48	48	48

Looking at the results of the magnitude of the correlation between the independent variables, it appears that only the firm value variable has a large enough correlation with the firm's growth variable, with a correlation level of 0.119, or about 11.9%. Because this correlation is still below 90%, it can be said that there is no serious multicollinearity. The results of the calculation of the tolerance also show that there is no independent variable that has a tolerance of less than 0.10, which means that there is no correlation between the independent variables whose value is more than 90%. The results of the calculation of the Variance Inflation Factor (VIF) value also show the same thing that there is no single independent variable that has a VIF value of more than ten or with a tolerance still below 1. So, it can be concluded that there is no multicollinearity between independent variables in the regression model.

c. Autocorrelation Test

To find out whether there is autocorrelation, see the Durbin-Watson test. The results of the Durbin-Watson test for the autocorrelation test listed in the table below show that the Durbin-Watson (D-W) number is 0.824.

Table 13: Durbin Watson Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,408 ^a	,167	,110	42,29657	,824

The results in table 13 show that the DW value in this study ranges between -2 and 2, which is at a value of 0.824. It can be concluded that the regression coefficient is free from autocorrelation disorder.

d. Multiple Linear Regression Analysis

The data obtained were then analyzed by the multiple regression method and calculated using the SPSS program. Based on the SPSS output partially, the influence of the three independent variables, namely capital structure, firm growth, and profitability on firm value, is shown in table 14 as follows:

Table 14: Multiple Regression Calculation Results

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	82,283	17,889		4,600	,000
	Capital Structure	-,181	,096	-,281	-1,879	,067
	Firm Growth	,225	,430	,074	,523	,604
	Profitability	-5,776	4,719	-,187	-1,224	,227

a. Dependent Variable: Firm Value

Based on the results of the regression calculations in the table above, the following multiple linear regression equations are obtained:

$$Y = 82,283 - 0,181 X_1 + 0,225 X_2 - 5,776 X_3$$

The regression equation above has the following meaning:

1. The capital structure regression coefficient (DER) is -0.181. A negative coefficient value indicates that the capital structure has a negative effect on the firm value in the consumer goods industry sector on the IDX from 2017 to 2020.
2. The firm's growth (sales growth) regression coefficient is 0.225. A positive coefficient value indicates that firm growth positively affects firm value in manufacturing companies in the consumer goods industry sector on the IDX from 2017 to 2020.
3. The profitability regression coefficient (ROA) is -5.776. A negative coefficient value indicates that profitability has a negative effect on the firm value in the consumer goods industry sector on the IDX from 2017 to 2020.
4. The constant is 82.283, which indicates that all the variables studied (capital structure, firm growth, and profitability) are fixed. The value of the firm manufacturing companies in the consumer goods industry sector on the IDX from 2017 to 2020 is Rp. 82,283.

e. Coefficient of Determination Test

The coefficient of determination (R^2) essentially measures how much the model's ability to explain variations in the dependent variable is. The value of R^2 , which is close to one, means that the independent variables provide almost all the information needed to predict the variation of the dependent variable (Ghozali, 2013). The results of the calculation of the coefficient of determination can be seen in table 15 below.

Table 15: Calculation Results of the Coefficient of Determination

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,408 ^a	,167	,110	42,29657
a. Predictors: (Constant), Profitability, Firm Growth, Capital Structure				

The calculation results obtained that the magnitude of the effect of the variable capital structure, firm growth, and profitability on firm value, which this equation model can explain, is 0.167 or 16.7%, and the remaining 83.3% is influenced by other factors not included in the model. The regression provides investment decision factors, firm size, liquidity, and other factors. This shows that the relatively small coefficient of determination is due to the wide variety of research objects.

4.8. Hypothesis testing

a) Simultaneous Test (F-Test)

The F-statistical test shows whether all independent or independent variables included in the model have a combined effect on the dependent or dependent variable. Ghozali (2013) states that this test also means that all independent variables are simultaneously a significant explanation of the dependent variable. The results of hypothesis testing through the simultaneous test (F-test) can be seen in table 16 below.

Table 16: Simultaneous Test Results (F-Test)

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15756,454	3	5252,151	2,936	,044b
	Residual	78715,994	44	1789,000		
	Total	94472,448	47			
a. Dependent Variable: Firm Value						
b. Predictors: (Constant), Profitability, Firm Growth, Capital Structure						

The significant test aims to determine the significance of the effect of capital structure (X1), firm growth (X2), and profitability (X3) together on firm value (Y) in manufacturing companies in the consumer goods industry sector on the IDX from 2017 to 2020. The results of the regression analysis show that when the independent variables are together, they influence the dependent variable. This can be proven by the F-count value of 2.936 with a significance value of 0.044. Because the probability is much smaller than 0.05 or 5%, the capital structure, firm growth, and profitability affect the firm's value. Thus, the hypothesis proposed in this study is accepted.

b) Partial Test (t-Test)

The t-test was conducted to determine the effect of each or partially the independent variables (capital structure, firm growth, and profitability) on the dependent variable (firm value). Partially, the effect of the three independent variables on firm value can be seen in table 17 below.

Table 17: Partial Test Results (T-Test)

Model		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	82,283	17,889		4,600	,000
	Capital Structure	-,181	,096	-,281	-1,879	,067
	Firm Growth	,225	,430	,074	,523	,604
	Profitability	-5,776	4,719	-,187	-1,224	,227
a. Dependent Variable: Firm Value						

The regression analysis results show that the three independent variables, namely capital structure, firm growth, and profitability, have no significant effect on firm value. This can be proven by a significance value greater than 0.05 or 5%.

4.9. Discussion

The discussion results regarding the effect of capital structure, firm growth, and profitability on firm value in manufacturing companies in the consumer goods industry sector on the IDX from 2017 to 2020 are as follows.

1. *Effect of Capital Structure on Firm Value*

The results of this study indicate that the average funding of manufacturing companies in the consumer goods industry sector on the IDX from debt is more significant than own capital, so the capital structure has a negative and insignificant effect on the value of a firm. In other words, if the capital structure ratio increases by one unit. Then the firm's value will decrease by 0.181 but not significantly in the following year. As Trade-Off Theory explains, if the capital structure's position is below the optimal point, any additional debt will increase the firm's value. Conversely, if the role of the capital structure is above the optimal threshold, any other obligation will reduce the firm's value. The firm's capital structure is permanent financing consisting of long-term debt, preferred stock, and shareholder capital. Thus, a firm's capital structure is only part of its financial structure. The decrease in the value of the firm if the debt used in the firm is increasing is related to the relatively small internal funds owned by the firm because of the firm's low ability to generate profits (Amirya & Atmini, 2014). When a firm decides to use debt, it must be sensitive to the business climate because the use of debt can provide advantages or disadvantages to the firm, so the use of debt must be adjusted to the conditions or business climate. This means that obligation does not influence the firm's high and low value. If the interest costs charged exceed the benefits provided from the debt used, this user would be detrimental due to unfavorable business conditions or climate. The results of this study are inconsistent with the findings of Kurnia (2019) that capital structure has a positive and significant effect on the firm value listed on the IDX. The addition of debt made by the firm to expand its business will increase the value of the firm through the share price of the firm. Capital structure is a balance or combination of foreign capital with own capital; in other words, capital structure is the proportion in meeting the firm's expenditure needs with long-term funding sources from internal and external funds. Brigham & Houston (2021) state that most corporate takeovers and purchases through debt are designed to increase efficiency by reducing the free cash flow available to managers; in other words, the owner of a firm uses relatively large amounts of debt for the firm to limit its managers because a high debt ratio will increase the threat of bankruptcy, compelling them to be more careful and not waste shareholders' money. Therefore, the management team of companies in the consumer goods sector needs to reduce the capital structure ratio further to increase the value of the companies they manage. Determining the optimal target capital structure is one of the main tasks of firm management. The capital structure is the key to improving the productivity and performance of the firm from the ratio of the amount of debt and equity. The increase in the firm's value due to the rise in debt (debt is still below its optimal point) is caused by the firm's management using the debt

for business expansion. The effect of capital structure on firm value is primarily determined by the magnitude of the role of equity in the capital structure. That is, the more significant the part of the equity in the capital structure, the risk of corporate funding from debt elements will be more negligible because the role of its capital supports the firm's budget. Likewise, the part of the debt is also essential for the firm if funding from debt is managed effectively to obtain an optimal capital structure. Therefore, to meet the need for funds for the manufacturing firm, the alternative taken by the firm, among others, is to use its capital and borrowed capital. This is a problem regarding the composition of funding to be used by the firm, which ultimately means determining how much debt the firm will use to fund its assets.

2. *The Effect of Firm Growth on Firm Value*

The results of this study indicate that the firm's growth has a positive and insignificant effect on the value of a firm. In other words, if the firm's growth increases by one unit, the firm's value will increase by 0.225 but not significantly in the following year. Furthermore, the *Free Cash Flow Hypothesis* that companies with higher growth opportunities have *free cash flows* because most of the existing funds are used for investment in projects with positive NPV. The results of this study follow the research of Safrida (2008) in his research which shows that firm growth has a direct and positive influence on changes in stock prices, which means that information about the firm's growth is responded to positively by investors, so that it will increase stock prices and will indirectly increase share prices. The value of the firm. This study's results follow research conducted by Syahraini Syaiful (2015). Namely, the firm's growth positively and significantly affects the financial structure. However, this study's results do not follow Maryanti & Meiliza (2019) research that firm growth has a negative and significant effect. The inconsistency with the results of this study is because *food and beverage* companies are companies that meet the community's basic needs and have a *life cycle* where goods produced are disposable and must be made again. Therefore, food and beverage need sufficient funds for their operational activities. However, suppose the firm uses large amounts of debt. In that case, it is feared that it will impact its operational activities because the use of large enough debt will also cause a significant interest expense, increasing the costs that the firm must incur in carrying out its operational activities. Firm growth is often used as a benchmark in assessing the development of a firm. Companies with high growth rates concerning *leverage* should use equity as a source of financing, so that agency costs do not occur *between* shareholders and firm management; on the other hand, companies with low growth rates should use debt as a source of financing for the use of debt. It would require the firm to pay interest regularly. The investment decisions will significantly affect the value of the companies they manage because whether a firm develops on the shrewdness and sharpness of management analysis to make new investments to increase the profits of the food industry firm. If the firm can generate high profits, then the owners of capital or investors will be interested in buying their firm's shares in the capital market and will be able to increase the value of their firm in the capital market. The management of the firm is recommended to continue to improve the investment decisions they make to lift and increase the value of the manufacturing companies in the consumer goods industry that they manage in the capital market.

3. *The Effect of Profitability on Firm Value*

This study's results follow the theory put forward by Brigham and Houston (2001) that companies with high returns on investment use relatively small debt. The high rate of return makes it possible to finance most of the funding needs with internally generated funds. A firm must always be in a profitable state (profitable). Without profit, it will be difficult for companies to get capital from outside. The owner of the firm, especially the management, will try to increase profits because it is based on how important the meaning of profit is for the firm's future. This study's results are consistent with Elyzabet's (2010) research. Namely, profitability has a negative and significant influence on the financial structure. Furthermore, the implication of this research for companies listed on the IDX is that companies must increase their net income. The high and low net profit of the firm will affect the funding process for the firm because the higher the profit that can be generated by the

firm, the less the firm's dependence on the use of foreign capital in the form of debt will be. An increase in the firm's profitability will increase the firm's earnings per share, but with an increase in profitability, the firm's share price does not necessarily increase. So that if an increase in stock prices does not affect firm earnings per share increase, it will have an impact on decreasing the firm's value. Companies that can earn high profits are not enough to guarantee that the firm is said to be successful or has good corporate value. This can be caused by other factors influencing the relationship between profitability and firm value, such as corporate social responsibility to stakeholders and implementing healthy and responsible corporate management practices. Based on the results of research that has been done, profitability has a negative and insignificant effect on firm value. This means that the profit of a firm does not affect the value of the firm. Profitability shows the firm's ability to get net income from net sales. It can also measure its management's ability to carry out its operational activities to minimize firm expenses and maximize firm profits. And this is what can increase the value of the firm so that investors are also more interested in investing in the firm. This kind of thing is also a good signal from investors that companies with a high-profit level have good prospects in the future, which will affect the rate of return on their investment. The more investors are interested in the firm, the more the firm's stock price will increase, which reflects the firm's high value. Shareholder value will increase if the firm's value increases, which is indicated by a high rate of return on investment to shareholders. However, this study found that profitability did not have much effect on firm value, as seen from the research results, which were insignificant because consumer goods industry companies had an average loss of profitability. In contrast, the average firm value had a stagnant value.

5. Conclusion

Based on the results of the research and discussion described in the previous chapter, the conclusion of this study is that the Trade-Off Theory explains that if the position of the capital structure is below the optimal point, any additional debt will increase the value of the firm. Conversely, if the role of the capital structure is above the optimal threshold, any other obligation will reduce the firm's value. Statistically, capital structure has a negative and insignificant effect on the importance of manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange. Free Cash Flow Hypothesis: Companies with higher growth opportunities have low free cash flows because most of the available funds are used for investment in projects with a positive NPV. Statistically, firm growth has a positive and insignificant effect on the firm value in the consumer goods industry sector listed on the Indonesia Stock Exchange. Brigham and Houston (2001) explain that companies with high returns on investment use relatively small debt. Statistically, profitability has a negative and insignificant effect on the firm value in the consumer goods industry sector listed on the Indonesia Stock Exchange. Based on the conclusions above, the researchers put forward some suggestions first; it is hoped that manufacturing companies, especially in the consumer goods sector listed on the Indonesia Stock Exchange, will optimize their capital structure to increase firm value by effectively empowering the use of debt and own capital. Second, the management of the firm is recommended to continue to improve the investment decisions they make to lift and increase the value of the manufacturing companies in the consumer goods industry that they manage in the capital market. Third, high profits will indicate good firm prospects so that it can trigger investors to participate in the increasing demand for shares. Furthermore, the growing demand for shares will cause the value of the firm to increase.

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