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The Effect of Profitability, Sales Growth, Ownership Structure on Firm Value Moderated by Capital Structure

Rahadian Khevrianur
Faculty of Economics and Business
Mercu Buana University, Indonesia

Indra Siswanti
Faculty of Economics and Business
Mercu Buana University, Indonesia

Abstract:- This study aims to determine the effect of profitability, sales gowrth, leverage and firm size on firm value moderated by capital structure. This research was conducted at building construction companies listed on the Indonesian stock exchange between 2015-2020. The sampling technique used in this study was purposive sampling. The sample in this study were 35 data from 7 building construction companies listed on the Indonesia Stock Exchange in the 2015-2020 period that met the criteria. The data analysis technique used is panel regression analysis consisting of three variables, namely the dependent variable, the independent variable, and moderated variable. The results of this study indicate that profitability has a significant effect on firm value, sales growth has a significant effect on firm value, the ownership structure does not effect on firm value, capital structure is not able to modareted the relationship between profitability and firm value, capital structure is able to modareted the relationship between sales growth and firm value.

Keywords:- *Profitability, Sales Growth, Ownership Structure, Capital Structure, Firm Value.*

I. INTRODUCTION

The current economic uncertainty after the Covid-19 Pandemic has had a major impact on the global economy as well as in Indonesia, global political conditions and the threat of global economic war have also become a major influence on economic growth in Indonesia. Currently, the economic conditions in Indonesia indirectly create a competition between companies in Indonesia. This competition makes every company compete in improving the company's performance in the hope of achieving company goals. One of the main goals of the company is none other than getting a profit or profit from the business being run and also wanting the owners and shareholders to experience an increase and prosperity for the company's profit acquisition (Hartati et al, 2021).

The current government can be said to be aggressive in infrastructure development since 2015, however, the incessant infrastructure development in the current government era has not resulted in significant positive growth in the value of companies in the building construction sector. The average growth in the value of companies in this sector recorded a decline from the 2015-2020 period.

II. LITERATURE REVIEW

A. Agency Theory

Agency theory describes the relationship between shareholders as principals and management as agents. Management is a party contracted by shareholders to work in the interests of shareholders. Jensen and Meckling (1976) describe an agency relationship as an agency relationship as a contract in which one or more persons (principals) employ another person (agent) to perform some services on their behalf which involves delegating some decision-making authority to agents..

B. Signalling Theory

Signaling theory or signal theory is a theory developed by Ross (1977), signaling theory suggests that there is information about the company that should be a signal for outsiders and users of financial statements, especially for investors and potential investors who will invest. The signal can be in the form of information about the steps that have been taken by management in order to realize the desire to realize the wishes of the shareholders.

C. Firm Value

Firm value is the present value of free cash flow in the future at a discount rate according to the weighted average cost of capital. Free cash flow is cash flow available to investors, creditors, and owners after taking into account all expenses for company operations and expenses for investment and net current assets (Brigham & Houston, 2010). The main goal of the company is to increase the value of the company itself, according to Alvionita et al (2021) company value is very important for a company because the higher the value of the company, the higher the prosperity of shareholders. The investors hand over the management of the company to professionals so that the achievement of company value can continue to increase, the increased company value will contribute to long-term growth for the company.

D. Profitability

Profitability is the final result of a number of policies and decisions made by management, profitability can be determined by calculating various relevant benchmarks, one of which is financial ratios as one of

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the analyzes in analyzing financial statements, operating results, and the level of profitability of a company (Brigham & Houston, 2010). Profitability describes the ability of a business entity to generate profits by using all its capital (Yanti & Darmayanti, 2019).

E. Sales Growth

The company's sales growth is understood as an increase in sales from year to year, or as an indicator of an increase in the company's market share. For companies that have high sales growth, the company also has good growth. These positive implications are also interpreted positively by investors because the company has good prospects in the future, thereby increasing the value of the company (Febriyanto, 2018). Sales growth reflects the company's operational success in the past period and can be used as a prediction of future growth (Rosari and Subardjo, 2021). Sales growth has an important role in working capital management, sales growth is a ratio that describes the company's ability to maintain its economic position in the midst of economic growth and its business secto.

F. Ownership Structure

The ownership structure is divided into two, namely managerial ownership structure and institutional ownership structure, namely:

1. Managerial Ownership

Managerial ownership is ownership where the manager owns the company's shares or in other words the manager is the company's shareholder (Tamala & Hermanto, 2021). Managerial ownership is assumed as an attempt to control the internal party tasked with controlling so that agency conflicts do not occur (Munandar & Fathoni, 2021).

2. Institutional Ownership

Institutional ownership is ownership of shares or ownership of voting rights in a company that can be owned by institutions or institutions (Tamala & Hermanto, 2021). Institutional ownership is ownership of shares in an organization/company, for example insurance agents, banks, ventures, or other institutional ownership (Munandar & Fathoni, 2021).

G. Capital Structure

Capital structure is a combination (proportion) of the company's long-term fixed funding as indicated by debt, equity, preferred stock, and common stock (Horne & Wachowicz, 2014). According to Brigham and Houston (2010) the capital structure of a company that wants to grow, the company needs capital from debt and equity. The combination of debt and equity that aims to maximize the value of the company. The capital structure itself describes the company's permanent financing consisting of long-term debt and own capital (Natalia et al, 2021).

III. RESEARCH METHOD

This research is a method or procedure whose purpose is to analyze data with certain techniques and begins with the data collection stage. The design used in this study is a research with a causal model, a causal relationship is a causal relationship. Causal analysis aims to test the hypothesis about the effect of one or more independent variables (independent variable) on the dependent variable (dependent variable). This analysis describes how the independent variables (Profitability, Sales Growth, Ownership Structure) can affect the dependent variable (Company Value) with the moderating variable in this study, namely Capital Structure.

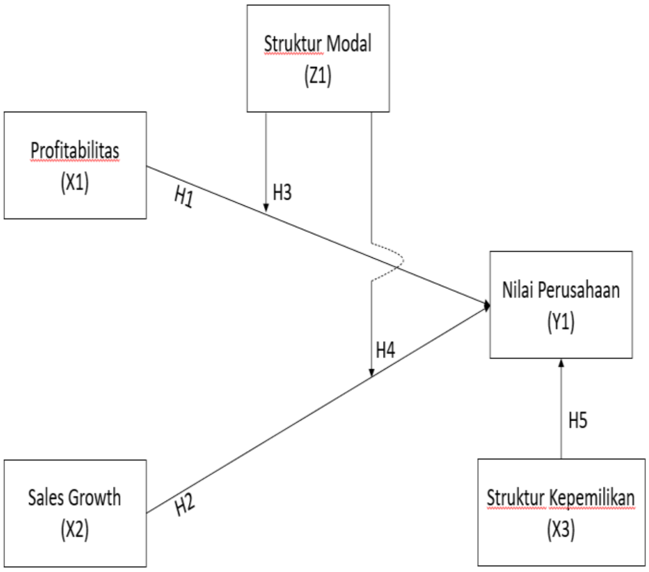

Fig. 1 Conceptual Framework

Data processing is carried out using Eviews 12 software to determine the regression model as well as testing the selected model.

H. Population

The population is the entire subject (object, company, event) or something that is the focus of research. The population in this study are building construction companies listed on the Indonesia Stock Exchange for the period 2015 – 2020. The population in this study is 23 building construction companies listed on the Indonesia Stock Exchange.

I. Sample

Sampling companies in this study using purposive sampling method, namely samples that will be taken based on certain criteria with the aim of getting a representative sample in accordance with predetermined criteria. The sample in this study can be seen in figure 2

Criteria	Quantity
Number of building construction companies listed on the Indonesia Stock Exchange in 2020	23
Building construction company Listing/Initial Public Offering (IPO) during the observation period	(11)
Building construction companies that suffered losses during the period 2015 - 2020	(5)
Number of Research Samples	**7**

Fig. 2 Population & Sampel

IV. RESULT AND DISCUSSION

The data in this study are in the form of complete company annual financial statements from 2015-2020 as many as 7 companies obtained from the Indonesia Stock Exchange. From the data that has been collected by the steps in the data collection method discussed earlier then processed into data that can be analyzed statistically.

J. Descriptive Statistical Analysis

Descriptive statistical analysis is a general description of the research variables. The following is research data that has been analyzed descriptively.

	ROE	SG	KI	DER	PBV
Mean	12.10973	5.661538	58.00058	1.882988	1.634931
Median	10.90765	6.311950	49.93960	1.822200	1.255700
Maximum	39.58860	90.61670	93.31250	5.833200	6.750000
Minimum	1.164300	-44.91180	24.05690	0.658700	0.470200
Std. Dev.	7.506024	27.24284	24.49223	1.142319	1.210230
Jarque-Bera	27.66949	6.056337	4.828194	17.57168	99.81986
Probability	0.000001	0.048404	0.089448	0.000153	0.000000
Sum	508.6088	237.7846	2436.025	79.08550	68.66710
Sum Sq. Dev.	2309.956	30429.06	24594.64	53.50064	60.05096
Observations	42	42	42	42	42

Fig. 3 Result Descriptive Statistical

The results of data in the Price to Book Value (PBV) variable, it is known that the average value generated is 1.63. The lowest value is 0.47 , while the highest value is 6.75.

The results of data in the Return on Equity (ROE) variable, it is known that the average value generated is 12.1. The lowest value is 1.16, while the highest value is 39.58.

The results of data in the Sales Growth (SG) variable, it is known that the average value generated is 5.66. The lowest value is -44.9, while the highest value is 90.61.

The results of data in the variable of Institutional Ownership (KI) it is known that the average value produced is 58. The lowest value is 24.05, while the highest value is 93.31.

The results of data in the variable of Institutional Ownership (KI) it is known that the average value produced is 58. The lowest value is 24.05, while the highest value is 93.31.

The results of data in the Debt to Equity Ratio (DER) variable, it is known that the average value generated is 1.88. The lowest value is 0.65, while the highest value is 5.83.

K. Panel Data Regression Analysis Results

Panel data regression analysis was carried out with three approaches, namely by testing the estimation of the common effect, fixed effect, and random effects models which are the application of the model applied in this study to determine which method is the best to choose in selecting panel data regression.

To determine one of the most appropriate models from the 3 types of panel data models above, a test is carried out on each model. The right model used in this study is the fixed effect model (FEM) because after going through the two model selection tests, FEM is the best model chosen for this study.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.688875	1.141011	1.480157	0.0496
ROE	6.984806	2.981014	2.457387	0.0508
SG	9.010220	4.511808	4.165508	0.0339
KI	-0.008521	0.011839	-0.719799	0.4774
DER	0.889325	0.348355	0.256419	0.7994
ROE_DER	0.013114	0.023511	0.557788	0.5813
SG_DER	0.114493	0.096132	0.052683	0.0422
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.613069	Mean dependent var	1.634931	
Adjusted R-squared	0.394340	S.D. dependent var	1.210230	
S.E. of regression	0.770814	Akaike info criterion	2.565934	
Sum squared resid	17.23046	Schwarz criterion	3.103784	
Log likelihood	-40.88461	Hannan-Quinn criter.	2.763077	
F-statistic	6.005811	Durbin-Watson stat	1.013900	
Prob(F-statistic)	0.000039			

Fig. 4 Fixed Efect Model

L. Rsquare Test Result

Coefficient of Determination or R2 Test is a test to determine the quality of the selected model in the relationship between the dependent variable, independent variable, and interaction variable which can be seen from the value of the coefficient of determination (adjusted R-Squared). The following are the results of calculations using Eviews 12:

R-squared	0.613069	Mean dependent var	1.634931
Adjusted R-squared	0.394340	S.D. dependent var	1.210230
S.E. of regression	0.770814	Akaike info criterion	2.565934
Sum squared resid	17.23046	Schwarz criterion	3.103784
Log likelihood	-40.88461	Hannan-Quinn criter.	2.763077
F-statistic	6.005811	Durbin-Watson stat	1.013900
Prob(F-statistic)	0.000039		

Fig. 5 Result Rsquare Test

Based on the results in table 4.7, it can be seen that the fixed effect model has an Adjusted R-squared value of 0.394 or 39.4% which means that the influence of the variables in this study is 39.4% and the remaining 60.6% is influenced by other variables outside of this study.

M. F- Statistical Test Results

The F statistic test is a test to show whether the significance of the variables is jointly.

R-squared	0.613069	Mean dependent var	1.634931
Adjusted R-squared	0.394340	S.D. dependent var	1.210230
S.E. of regression	0.770814	Akaike info criterion	2.565934
Sum squared resid	17.23046	Schwarz criterion	3.103784
Log likelihood	-40.88461	Hannan-Quinn criter.	2.763077
F-statistic	6.005811	Durbin-Watson stat	1.013900
Prob(F-statistic)	0.000039		

Fig. 6 Result F-Statictic Test

Based on the results in table 4.8, it can be seen that the fixed effect model has a Prob value (F-Statistic) of 0.00 < 0.05, meaning that together the independent variables have a significant effect on the dependent variable.

N. T- Statistical Test Results

The T statistical test is a test used to prove whether the independent variable is significant on the dependent variable individually.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.688875	1.141011	1.480157	0.0496
ROE	6.984806	2.981014	2.457387	0.0508
SG	9.010220	4.511808	4.165508	0.0339
KI	-0.008521	0.011839	-0.719799	0.4774
DER	0.889325	0.348355	0.256419	0.7994
ROE_DER	0.013114	0.023511	0.557788	0.5813
SG_DER	0.114493	0.096132	0.052683	0.0422

Fig. 7 Result T-Statistic Test

Based on the results of the T statistical test on the fixed effect model, the following conclusions are obtained:

1. The Effect of Profitability on Firm Value

The results of the panel data regression in table 4.9 show that the return on equity variable has a coefficient value of 6.98 with a probability value of 0.05 meaning H0 is rejected and H1 is accepted. So it can be concluded that return on equity has a positive effect on firm value.

H1: Profitability has a positive effect on firm value

2. Effect of Sales Growth on Company Value

The results of the panel data regression in table 4.9 show that the sales growth variable has a coefficient value of 9.01 with a probability value of 0.03 meaning H0 is rejected and H1 is accepted. So it can be concluded that sales growth has a positive effect on firm value.

H2: Sales Growth has a positive effect on firm value

3. The Effect of Institutional Ownership on Firm Value

The results of the panel data regression in table 4.9 show that the institutional ownership variable has a coefficient value of -0.008 with a probability value of 0.48 meaning H0 is accepted and H1 is rejected. So it can be concluded that institutional ownership has no effect on firm value.

H3 : Institutional ownership has no effect on firm value

4. Capital Structure Moderates the Effect of Profitability on Firm Value

The results of the panel data regression in table 4.9 show that the return on equity*debt to equity ratio variable has a coefficient value of 0.013 with a probability value of 0.04 meaning H0 is accepted and H1 is rejected. So it can be concluded that the capital structure is not able to moderate the effect of profitability on firm value.

H4: Ownership structure is not able to moderate the effect of profitability on firm value

5. Capital Structure Moderates the Effect of Sales Growth on Firm Value

The results of the panel data regression in table 4.9 show that the sales growth*debt to equity ratio variable has a coefficient value of 0.114 with a probability value of 0.58 meaning H0 is accepted and H1 is rejected. So it can be concluded that the capital structure is able to moderate the effect of sales growth on firm value.

H5: Ownership structure is able to moderate the influence of sales growth on firm value

V. CONCLUSION

In this research, there are 3 independent variables, 1 moderated variabel, and 1 dependent variable and then analyzed using panel data regression method. profitability and sales growth has a significant effect on firm value, the ownership structure does not effect on firm value, capital structure is not able to modareted the relationship between profitability and firm value, capital structure is able to modareted the relationship between sales growth and firm value. Based on this, it is advisable for construction sector companies must maximize sales growth in order to be able to generate high profits. One of the high profits reflected in the return on equity in this study was able to influence a positive influence on firm value. In the results of the moderation test, it can be seen that the capital structure is not able to moderate profitability, the capital structure proxied by the debt to equity ratio can be concluded that investors are more interested if companies in the building construction sector are better at strengthening their capital structure with internal financing in order to add capital to equity by increasing retained earnings which is proven that DER is not able to moderate the effect of ROE on firm value compared to increasing capital by means of external financing.

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