

CAPITAL STRUCTURE AND INVESTMENT DECISION ON COMPANY VALUE ON THE INDONESIA STOCK EXCHANGE

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ABSTRACT

Every company established aims to achieve maximum profit or maximum profit in the hope of increasing the value of the company. In order to increase the value of the company, the financial manager is expected to be able to manage company finances effectively and efficiently. Good corporate financial management can be seen from the value of the company. The value of a good company is reflected in its share price. Companies that have high stock prices, of course, high company values as well as low stock prices reflect low company value. There are several factors that affect company value on capital structure, investment decision, profitability, and firm size. The purpose of this research is to find out and analyze capital structure and investment decision on company value on the Indonesia Stock Exchange. This study uses a quantitative research approach. This type of research is descriptive and quantitative. The nature of this research is cause and effect. The sample of this research is 100 financial statements of Property, Real Estate, and Building Construction Companies listed on the Indonesia Stock Exchange for the 2016-2020 period. The method of data analysis in this study used multiple linear regression analysis, which consisted of testing the hypothesis partially (t) and simultaneously (F). The results show that capital structure has a significant effect on company value. Investment decision has a insignificant effect on company value. Profitability has a significant effect on company value. Firm size has a significant effect on company value. The results of simultaneously (F) show that capital

structure, investment decision, profitability, and firm size have a significant effect on company value.

Keywords: *Capital Structure, Investment Decision, Profitability, Firm Size, Company Value.*

INTRODUCTION

Every company established aims to achieve maximum profit or maximum profit in the hope of increasing the value of the company. In order to increase the value of the company, the financial manager is expected to be able to manage company finances effectively and efficiently. Good corporate financial management can be seen from the value of the company. The value of a good company is reflected in its share price. Companies that have high stock prices, of course, high company values as well as low stock prices reflect low company value. There are several factors that affect company value on capital structure, investment decision, profitability, and firm size.

The company's capital structure comes from internal and external sources of the company. The company's external capital structure comes from loans or company debt which is used to increase the value of the company. The higher the capital structure carried out, the higher the value of the company because if there is a corporate income tax, the use of a capital structure will increase the value of the company because debt interest costs include costs that reduce tax payments.

Investment decisions can affect the value of the company because a good investment composition will be able to attract investors to invest in the company. Therefore, the higher the investment decision set by the company, the higher the company's opportunity to obtain a large return or rate of return.

The size of the company has relevance to the value of the company, where the larger the size of a company, the company is considered to be easier to obtain sources of funding for company operations. Companies themselves can be categorized into two types, namely small-scale companies and large-scale companies. The size of the company has decreased, resulting in a decrease in company value with a decrease in return on assets. This low company value can be indicated by the total assets of the company which have decreased and the level of debt that occurs in the company is high so that the profits obtained by the company are used to pay debts.

The importance of profitability in the creation of corporate value. The higher the profitability, the higher the demand for shares. Good profitability will provide benefits for the company and shareholders. For the company, it

will get an injection of funds from investors and increase the market value of the company.

The property and real estate industry can be used as a driving force for economic activity because activities in this sector will encourage various activities in other related sectors because each sector requires property products as one of the factors of production and means of activities carried out by each company. The number of companies in the property sector listed on the Indonesia Stock Exchange is very large compared to other fields, this is what makes researchers interested in making property and real estate companies as objects to be studied.

Property, real estate, and building construction are currently increasing, resulting in very sharp competition. Based on Media Kontan, the Indonesia Stock Exchange recorded the most vibrant sectors in early 2019 including property, real estate and building construction. It was recorded that the sector filled with property shares grew by 7.37% in 2019. PT. PP Properti Tbk (PPRO) targets marketing sales of around Rp3.8 trillion in 2019.

The purpose of this research is to find out and analyze capital structure and investment decision on company value on the Indonesia Stock Exchange.

LITERATURE REVIEW

Effect of Capital Structure on Company Value

Permatasari and Azizah (2018:102) fulfillment of funding needs that are not small causes companies to be required to be able to determine the optimal capital structure and increase company value.

Dahar et al. (2019:123) the bigger the capital structure, the value of the company will also increase.

Permana dan Rahyuda (2019:1580) the larger the debt to equity ratio, the smaller the profit that will be distributed to shareholders, so that it can reduce the price of the shares concerned. So solvency management is very important in the company's operations can be a reference in increasing or decreasing the value of the company.

Effect of Investment Decision on Company Value

Suroto (2015:104) high investment is a signal of the company's revenue growth in the future. The signal will be considered as good news which will affect investors' perceptions of the company's performance which will ultimately affect the value of the company.

Krisdiyanto et al. (2020:125) investment decision has an impact on optimal performance so that it boosts company profits, which in turn can be

a positive signal to investors, so that they can boost the company's stock price.

Pertiwi et al. (2016:1370) the higher the investor's interest in investing in the company, the investment decision has an impact on increasing the value of the company.

Effect of Profitability on Company Value

Nopianti and Suparno (2021:52) company value is influenced by the size of the profitability generated by the company, because the greater the profitability, the higher the value of the company.

Novari and Lestari (2016:5681) a high level of profitability will attract potential investors to invest in the company. The number of investors who buy company shares will increase the company's share price so that it will increase company value.

Effect of Firm Size on Company Value

Haryadi (2016:85) firm size has a different effect on company value. In this case, the scale of the company is seen from the total assets owned by the company that can be used for company operations.

Ramdhonah et al. (2019:69) big companies have pushed to increase the company's economic growth, so it is expected to increase the value of the company.

Novari and Lestari (2016:5674) firm size also determines the level of investor confidence. The larger the company, the more recognized by the public, which means it is easier to get information that will increase company value.

RESEARCH METHODS

This study uses a quantitative research approach. This type of research is descriptive and quantitative. The nature of this research is cause and effect.

The criteria set are the determination of the sample as follows:

1. Property, Real Estate, and Building Construction Companies listed on the Indonesia Stock Exchange for the 2016-2020 period.
2. Property, Real Estate, and Building Construction Companies that publish financial reports for the 2016-2020 period.
3. Property, Real Estate, and Building Construction Companies that earn successively from 2016-2020 period.

The sample of this research is 100 financial statements of Property, Real Estate, and Building Construction Companies listed on the Indonesia Stock Exchange for the 2016-2020 period.

The method of data analysis in this study used multiple linear regression analysis, which consisted of testing the hypothesis partially (t) and simultaneously (F).

RESULT

Hypothesis Partially (t) Results

Table 1. Hypothesis Partially (t) Results Coefficients^a

Model		Unstandardized Std.	Standardized Coefficient	t	Si
1		21.2	6.7	2.1	.0
	Ln_DER	.300	.089	3.3	.0
	Ln_EPS	-.181	.093	-.275	.0
	Ln_ROI	.621	.111	5.6	.0
	Ln_UK	7.0	2.0	3.4	.0

a. Dependent Variable: Ln_PBV

The results show that capital structure (DER) has a significant effect on company value (PBV). Investment decision (EPS) has a insignificant effect on company value (PBV). Profitability (ROI) has a significant effect on company value (PBV). Firm size (UK) has a significant effect on company value (PBV).

Hypothesis Simultaneously (F) Results

Table 2. Hypothesis Simultaneously (F) Results

Model		ANOVA ^a	Mean	F	Si
		d			
1		15.6	4	3.915	.00
	Residual	21.7	71	.307	
	Total	37.4	75		

a. Dependent Variable: Ln_PBV

b. Predictors: (Constant), Ln_UK, Ln_ROI, Ln_DER, Ln_EPS

The results of simultaneously (F) show that capital structure (DER), investment decision (EPS), profitability (ROI), and firm size (UK) have a significant effect on company value (PBV).

CONCLUSION AND SUGGESTION

The results show that capital structure has a significant effect on company value. Investment decision has a insignificant effect on company

value. Profitability has a significant effect on company value. Firm size has a significant effect on company value. The results of simultaneously (F) show that capital structure, investment decision, profitability, and firm size have a significant effect on company value.

Based on the conclusions above, some suggestions can be given:

1. The management should increase company value as measured by the share price so that in the future the company's share price can continue to rise.
2. The next researcher can replace the independent variables that affect company value, extend the observation period and change the research sector.
3. For Universitas Prima Indonesia, the results of this study should be used by other students.

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