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THE INFLUENCE OF CAPITAL STRUCTURE (DER) AND PROFITABILITY (ROE) ON COMPANY VALUE IN VARIOUS INDUSTRIAL SECTORS LISTED ON THE INDONESIAN STOCK EXCHANGE (IDX) FOR THE 2014-2018 PERIOD

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Abstract
The purpose of this study is to investigate how probability and capital structure affect company value. The different industrial sector corporations that list on the Indonesia Stock Exchange between 2014 and 2018 served as the study's unit of analysis. The test was decided based on the purposive examining strategy so that 9 companies were gotten inside a period of 5 a long time. Associative research, which seeks to establish a connection between two or more random variables, was the methodology employed. Yahoo Finance and financial reports are the sources of the data utilized; www.idx.co.id is the data source. This study's data analysis method was multiple regression linear, which has been used to examine traditional assumptions such as autocorrelation, heteroscedasticity, multicollinearity, and normality. handling data using IBM SPSS Version 26. The simultaneous F test and the partial T test were utilized in hypothesis testing. The findings indicated that although profitability has a negative and considerable impact on company value, the capital structure variable had a largely negligible and no influence. Additionally, the impact of profitability and capital structure on company value is substantial and powerful.
Keywords: Capital Structure, Profitability, Company Value.

INTRODUCTION

The goal of starting a business is to make the owners or shareholders richer. Many businesses strive to increase their company value to draw in investors. Stock prices are a good way to gauge a firm's worth, the bigger the price of the stock, the more valuable the company. Financial managers must be able to effectively manage their financial performance to enhance performance and raise the value of the firm.

One of the sectors of Indonesian manufacturing businesses is the diverse industrial sector. Every subsector within each industry sector produces goods for consumers' fundamental necessities. Additionally, the public favors and consumes the created goods, which means that manufacturers in this business have high levels of sales, which will boost sector expansion.

Share prices of many industry sector stocks dropped, including ASII shares, which fell 2.67% to Rp 8,200 per share. Investors discharged ASII offers because the nation's car industry faced intensified competition. The net profit margin is further reduced as a result. KBLI's share price dropped by Rp. 296 to reflect the 31% fall in the company. This is due to several factors such as cable imports and delays in achieving the 35 GW goal for energy development. The share price of INDS dropped by Rp 169. The share price of SRIL has fallen by Rp 358. shares of HDTX fell 71% from their starting price of Rp 444 per share to Rp 126 per share. The price of a share of GDYR has dropped by 19.33% to Rp 1,920. Shares of UNIT ended at Rp. 254 after declining 18.06%. The purpose of this contribution is to maximize the firm's price, which largely depends on the accessibility of capital, including liabilities and shares, from both internal and external sources.

Structure compares the quantity of common stock, short-term debt, and preferred stock. The debt-to-equity ratio (DER) is used in this research to quantify the capital structure. DER is a metric used to evaluate a company's solvency status and determine the proportion of equity supported by debt. The likelihood that a business to repay its debt increases with the amount of debt it uses. Because the capital structure in corporate finance impacts the profitability of the firm, the capital structure is thus necessary to raise the value of the firm.

Financial success is another aspect that influences the company's high and low value. Return on equity is used to calculate profitability ratios, which are used to evaluate financial performance. An indicator of a company's capability to produce a net income for equity returns to shareholders is the return on equity (ROE). A higher ROE indicates a larger potential for the firm to deliver large profits for its owners. This affects the value of the firm.

According to research on company value conducted by Ayu Sri Mahatma Dewi and Ari Wirajaya (2013), capital structure (DER) and profitability (ROE) have an impact on business value. Ni Luh Putu Widyantari and I Putu Yadnya (2017) researched the impact of company value. Their findings indicate that while profitability (ROE) has a positive and significant effect on company value, capital structure (DER) has a significant negative effect (Widyantari, P, L, N and Yadnya, P, I (2016)).

Finding and analyzing the impact of Capital Structure (DER) on firm value in the Various Industry sectors listed on the Indonesia Stock Exchange (IDX) from 2014 to 2018 is the goal of this study. To ascertain and evaluate the impact of Return on Equity (ROE) on firm value across a range of industry sectors listed on the IDX between 2014 and 2018. To ascertain and evaluate the impact of profitability (ROE) and capital structure (DER) in tandem on the value of companies in the various industry sectors listed on the IDX between 2014 and 2018.

LITERATURE REVIEW

Capital Structure (DER) Affects Company Value

The debt-to-equity ratio, which displays the distribution of debt and equity (own funding) among the financing sources, establishes a company's capital structure. If the company's debt to equity ratio is elevated, it means that its debt load is higher than its capitalization. It is not an issue as long as the business can weigh the advantages and disadvantages of debt. This is why a high DER combined with sound management practices may boost business earnings. Stock prices rise when operating profit is increased by the usage of significant debt (Brigham and Houston, 2013: 184). When utilizing debt as opposed to one's own wealth, the former is always more advantageous (Husnan, 2013: 326). Therefore, it can be said that a firm that uses debt will be worth more than a company that doesn't.

H1 : Capital Structure affects company value.

Profitability (ROE) Affects Company Value

The capacity of the business to turn a profit is known as profitability. Profitability serves as an indicator of managerial effectiveness based on the amount of money the business makes. The bigger the profit margin, the more confident investors are in the business, which drives up the stock price and raises the company's cost.

H_2 : Profitability affects company value.

Capital Structure (DER) and Profitability (ROE) Affect Company Value

A larger debt to equity ratio means that the company's debt is bigger than its capital. This can lower the company's net profit, which is detrimental to the business given the poor return on equity it received. It is not an issue as long as the business can weigh the advantages and disadvantages of debt. For this reason, a company's earnings might rise when it has a high DER and effective management. Utilizing a lot of debt boosts operational profit, which raises the price of shares.

H3 : Capital Structure (DER) and Profitability (ROE) affect company value.

METHOD

The research employed a quantitative methodology. Study that is subsequently processed and evaluated to conclusions is known as the quantitative technique. This indicates that the research was done with a focus on the analysis of numerical data or processed numbers. It will be discovered whether or not the variables under study are related.

Variable Operations

Investors calculate a company's value using its stock market cost, determined by dividing its market value per share by its earnings per share. Analysts describe capital structure using the ratio of total liabilities to total equity, computed by dividing total liabilities by total equity. The company determines profitability by dividing net profit by total equity.

Population and Sample

The research population consisted of various industrial sector businesses that were listed on the Indonesia Stock Exchange between 2014-2018. Forty-five firms made up the study's sample. Purposive sampling is the approach used for sampling. Purposive sampling is defined as a sample approach with specific concerns by Sugiyono (2017: 126). Businesses that fit the following criteria are included in the study's sample criteria:

Table 1. Sampling Various Industrial Sectors

No.	Sample Description	Cons	Kriteria
1.	Various industrial companies listed on the IDX in 2014-2018.	0	45
2.	Companies that do not experience losses.	(6)	39
3.	Companies that use rupiah currency.	(14)	25
4.	Companies that have losses.	(9)	16
5.	Companies that have experienced oa decline in stock prices 2 or more times during the 2014-2018 period.	(7)	9
Total company sample		**9**	
Year of Observation		**5**	
Total observations used in the study		**45**	

RESULT AND DISCUSSION

Descriptive Statisctic

Table 2. Descriptive Statistical Test Results

	N	Minimum	Maksimum	Mean	Std. Deviation
Struktur Modal	45	0,9118056	24.605	0.789442	0.5560118
Profitabilitas	45	0.0010	1,7569444	0.078676	0.0619022
Nilai Perusahaan	45	26.145	1.138.983	50.778.282	1.703.174.917
Valid N (listwise)	45				

Source: Data processed

Utilizing a purposive sampling approach, a total of 9 firms were sampled based on the data computations in Table 2. The information obtained from the results of this study is that the number of companies in various mechanical segments has increased in the last 5 years, totaling 45 companies.

Within the Indospring Tbk firm in 2018, the Capital Structure variable (X1) has the most reduced (least) value of 0.1313. In 2018, 2.4605 is the most elevated (most) value at Ricky Putra Globalindo Tbk. The Capital Structure (DER) variable has a normal value (cruel) of 0.789442 and a standard deviation of 0.5560118. As can be observed, the cruel (normal) value is higher than the standard deviation value, at 0.789442>0.556018%. It recommends that there is a small of an information contrast for the Capital Structure (DER) variable.

Within the Indospring Tbk firm in 2015, the benefit variable (X2) has the least (least) value of 0.0010. In KMI Wire & Cable Tbk, the most noteworthy (greatest) value was 0.2530 in 2016. The productivity (ROE) variable has a normal value (cruel) of 0.078676 and a standard deviation of 0.0619022. As can be known, the cruel (normal) value is higher than the standard deviation value (0.78676> 0.0619022). It proposes that there is a small of an information distinction for the Capital Structure variable (DER).

In the KMI Wire & Cable Tbk firm, the firm Value (Y) variable had the most reduced (minimum) value of 2.6145 in 2016. 2015's greatest (maximum) valuation for the Indospring Tbk corporation is 1138.98. The Company Value (PER) variable has an average (mean) value of 50.778282 and a standard deviation of 170.3174917. As can be observed, the mean (average) value is 50.778282 < 170.3174917, which is less than the standard deviation number. This suggests that there is a sizable data discrepancy for the Company Value (PER) variable.

Classic Normality Asumption Test

Table 3. Kolmogrov-Smirnov (K-S) Test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		37
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	1.19239835
Most Extreme Differences	Absolute	.104
	Positive	.100
	Negative	-.104
Test Statistic		.104
Asymp. Sig. (2-tailed)		.200[c,d]

Source: Data processed

Based on the Kolmogrov-Smirnov (K-S) test results, the Asymp Sig (2-tailed) value is 0.200. Since the Asymp Sig (2-tailed) value is over 0.05, to be specific, 0.200> 0.05, it can be concluded that the information is ordinarily disseminated. Therefore, the relapse show is appropriate for utilization since it fulfills the presumption of ordinariness.

Multicollinearity Test

Table 4. Multicollinearity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	T	Sig.	Tolerance	VIF
1	(Constant)	4.970	.974		5.100	.000		
	Sqrt_X1	1.703	1.096	.212	1.554	.129	.997	1.003
	Sqrt_X2	-7.629	1.786	-.582	-4.270	.000	.997	1.003

Source: Data processed

The multicollinearity test results are evident that the DER Varian Inflation Factor (VIF) value of 1.003 and ROE 1.003 is lower than 10. This signals that there is no multicollinearity among the independent variables. It can be summarized that there is no multicollinearity between the autonomous factors when the tolerance value of DER is 0.997 and ROE is 0.997 more than 0.10.

Heteroscedasticity Test

Table 5. Heteroscedasticity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	T	Sig.	Tolerance	VIF
1	(Constant)	.655	.531		1.233	.226		
	Sqrt_X1	.905	.597	.246	1.515	.139	.997	1.003
	Sqrt_X2	-1.404	.973	-.234	-1.442	.158	.997	1.003

Source: Data processed

The model is not heteroscedastic, according to the findings of the heteroscedasticity test, as demonstrated by the Gletjser test, which shows that the significant values of the two independent variables are both bigger than 0.05.

Autocorrelation Test

Table 6. Autocorrelation Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.609[a]	.370	.333	1.22697	.940

Source: Data processed

The Durbin Waston value, as indicated by Table 6, is 0.940. With a sample size of 37 (n) and two (k-2) independent variables, the Durbin Waston value is compared with a significant value of 5% or 0.05. The result is a du of 1.5904 and a dl value of 1.3635. using the Durbin Waston decision table in conjunction with the D-W value of 0.940 that was obtained. There is autocorrelation since this number is outside of the Durbin Waston decision table, which is du> d < dl, or 1.5904> 0.786 < 2.4096.

Run Test

Table 7. Run Test

Runs Test	
	Unstandardized Residual
Test Value[a]	.25769
Cases < Test Value	18
Cases >= Test Value	19
Total Cases	37
Number of Runs	14
Z	-1.664
Asymp. Sig. (2-tailed)	.096

Source: Data processed

Table 7 indicates that the value of Asymp. Sig. (2-ztailed) is 0.096>0.05, indicating the absence of an autocorrelation issue. Thus, the Run Test may be used to solve the autocorrelation problem that Durbin Waston is unable to handle.

Multiple Linear Regression Analysis

Table 8. Multiple Linear Regression Analysis

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	T	Sig.
1	(Constant)	4.970	.974		5.100	.000
	Sqrt_X1	1.703	1.096	.212	1.554	.129
	Sqrt_X2	-7.629	1.786	-.582	-4.270	.000

Source: Data processed

The regression equation derived the multiple regression test results is presented in the table above:

ROE + e – 4.970 + 1.703 DER = PER

The above regression equation indicates: Constant (a) of 4,960 denotes that the dependent variable, PER, is 4,960 times if all independent variables are taken to be constant. Regression coefficient for the DER is 1.703. The DER rises by 1.703 times for every unit enhance in the DER. The regression coefficient for ROE is -0.7629. ROE falls by 0.7629 times for every rise of 1 in the DER.

T-Test

Table 9. T-Test

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	T	Sig.
1	(Constant)	4.970	.974		5.100	.000
	Sqrt_X1	1.703	1.096	.212	1.554	.129
	Sqrt_X2	-7.629	1.786	-.582	-4.270	.000

Source: Data processed

The following are the outcomes of examining how the independent variable affects the dependent variable: As can be perceived from the study findings in the above table, the capital structure variable represented by the DER has a T count value of 1.554 with a significant value of 0.129. Based on the statistical test results, the capital structure does not

affect and is insignificant to the company value because the T count is 1.554 and the T table of the provisions of 37-2 = 35 is 1.68957. Additionally, the sig value is greater than the probability (0.129 > 0.05) and the T count < T table (0.1554 < 1.68957). (H0 approved). It is evident from the table's analytical findings that.

F-Test

Table 10. F-Test

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	30.123	2	15.062	10.005	.000[b]
	Residual	51.185	34	1.505		
	Total	81.309	36			

Source: Data processed

The F count number is 10,005 with a significant value of 0.000, as can be seen from the F test results. Given that the F count value is 31.673 and the F table, as determined by the provisions of df (N1) = k-1 (df = 3-1 = 2) and df (N2) = n - k (df = 37 - 3 = 34), is 3.28, the statistical test results indicate that Ha is accepted and H0 is rejected. This suggest that capital structure and profitability have a significant influence on company value simultaneously, with an F count exceeding the F table (10.005 > 3.28) and a sig value less than the probability of 0.05 (0.000 < 0.05).

Determination Coefficient Test

Table 11. Determination Coefficient Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.609[a]	0.37	0.333	1.22697

a. Predictors: (Constant), Sqrt_X2, Sqrt_X1
b. Dependent Variable: Sqrt_Y

Source: Data processed

In accordance with information provided, the summary model produces an adjusted R Square value of 0.333. This indicates that the independent variables can account for 33.3% of the dependent variable, while extra factors not included in this analysis explain the residual 66.7%.

DISCUSSION

Effect of Capital Structure on Company Value

As per the T-Table, the sig value>0.05 is 0.129>0.05, implying that it is not significant and has no bearing. H0 is, therefore, acceptable. Thus, it may be said that a firm's value is unaffected by its capital structure. This is consistent with a study from Natalia (2013), which shows that capital structure has no appreciable impact on the company's value as seen by its stock returns. This is due to the fact that investors do not base their choice to purchase firm shares on the capital structure. Based on the firm's monetary success, illustrated by a tall benefit edge and solid deals, speculators see the company as having more prominent potential. As long as the company's debt load is commensurate with its earnings potential, investors view a high debt load as reasonable. Because of this, capital structure has little impact on investor interest in stock demand, which affects firm value. (2013, Natalia).

Effect of Profitability on Company Value

According to the findings of the hypothesis test, ROE has a T count of -4,270, a significant probability of 0.000, and a beta value of -7.629 as a consequence. demonstrates that profitability is important at less than 0.05. It is clear that ROE has a negative and substantial impact on company value. In other words, H0 is not accepted. This study demonstrates that a higher return on equity results in a lower firm value. The findings of this investigation corroborate those of Kusmawardani's (2010) study, which found a substantial inverse relationship between ROE and firm value. According to this, the management of the business has not been capable of raising the company's worth and should adjust its operations to be more fruitful (Kusmawardani, A, 2010). The findings of this investigation diverge from those of Heven and Fitty's (2016) analysis, which found no relationship between ROE and firm value (Manopo, H., and Arie, V. F., 2016).

Effect of Capital Structure and Profitability on Company Value

The two independent variables F (Simultaneous) test result is 0.000, which indicates that the value is less than 0.05 and that the F test has a substantial influence on the dependent variable. It indicates that capital structure and profitability impact company value, rejecting hypothesis H0 and supporting hypothesis H1. The quality of a company's financial merit determines its worth. Profits for the firm will rise with enough capital, and vice versa. Examining the capital structure is seen as significant since it assesses the potential long-term risk and revenue streams that the business may experience while operating. The inquiry gathered information by including more companies from various mechanical segments over a five-year period, resulting in 45 companies being surveyed. Agency theory states that if high company value is balanced with the emergence of favorable investment prospects, it will facilitate funding with equity, which will continuously provide benefits, and this will also stimulate an augment in stock prices, which will improve the company’s value.

CONCLUSIONS AND RECOMENDATIONS

Conclusion

The results of capital structure research in different industrial sector companies listed on IDX for the 2014–2018 period have no effect. They are not significant to firm value, according to the research and discussion that have been described. The findings of profitability studies conducted for the 2014–2018 period in a number of industrial sector businesses listed on the Indonesia Stock Exchange have a negative and substantial impact on the value of the company. The findings of studies conducted between 2014 and 2018 on the capital structure and profitability of different industrial sector businesses listed on the Indonesia Stock Exchange have a combined substantial impact on the company value.

Recommendations

Increasing the number of samples utilized in research from different industrial sectors as well as other sectors, taking into account the population of other sectors to see the influence of firm value on the sector. By waiting more than five years, the research time vulnerability increases. Including independent factors that might impact the value of the firm. Additional factors that might impact a company's worth include its size, profits per share, and dividend policy.

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