The Effect Of Capital Structure, Business Risk And Sales Growth On Firm Value On The Automotive And Component Sub-Sector Companies Listed On The Idx In 2017-2021

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Abstract: This study sights to figure out the effect of capital structure, business risk, and sales growth to firm value in the Automotive and Component Sub Sectors officially listed on the Indonesia Stock Exchange (IDX). This research has been collecting 5 years 2017 to 2021. This research is slightly typical of descriptive research that practically applies a quantitative approach. A total of 15 companies were the population in this research. Besides, the purposive sampling technique has practically applied to opt-in samples, and subject to predetermined criteria, 9 companies have opted to encourage the accomplishment of this research. The data that has been used is typical of secondary data that is acquired from the yearly financial reports of required companies that are officially listed on the IDX website. In addition, data analysis using the EViews 10 program has been applied as an analytical method in this research. The results showed that capital structure and business risk have no effect on firm value, while sales growth has a significant effect on firm value. And simultaneously capital structure, business risk and sales growth affect firm value.

Keywords: *Firm Value, Capital Structure, Business Risk, Sales Growth*

INTRODUCTION

Indonesia experienced many losses caused by the Covid-19 pandemic, the impact of the pandemic was the Indonesian economy which declined. The COVID-19 pandemic has had a widespread and pervasive impact across the globe[24][26]. Not just one country or region has been affected, but almost all countries in the world have experienced significant economic countries in the world are experiencing significant economic impacts across a wide range of business sectors. business sectors. One of the business sectors affected by Covid-19 and capable of provide payments and economic support to the Indonesia is the automotive sub-sector and its components (https://www.bps.go.id/).

There were several cases before the Indonesian economy improved due to covid-19, namely the decline in automotive and component sub-sector stocks. Companies that have experienced a decline are the company PT Astra International, which suffered a deep blow during 2020 due to the corona virus (Covid-19). According to the company's report, Astra's automotive sector net profit during 2020 stopped at Rp2.7 trillion, while in 2019 it reached Rp8.3 trillion. The company said that the decline was in line with car sales which decreased by 48 percent, and two-wheeler sales nationwide decreased by 44 percent (https://www.cnnindonesia.com).

One of the main objectives of a public company is to increase the value and increase its owners' or shareholders' wealth[27]. The more valuable a firm is, the more money its owners will make from it, the wealthier it is for its shareholders, and the more favorably it is seen by potential investors[28].

Firm Value is a guide for investors regarding the level of performance of the company by evaluating the total daily losses incurred by the company by increasing its share price (Toni and Silvia) [1]. Due to the company's improved worth, the market has confidence in both its current business operations and its potential for the future[30]. Price Book Value (PBV) is used to calculate firm value (Sirait et al.) [2]. This PBV serves as a gauge of the value that financial markets create for management and the organization as a whole.

The value of a company is influenced by a number of things, one of which is capital structure. The ratio of total debt to total equity, which is calculated, determines a company's capital structure (Dinayu et al.)

[3]. The research conducted by Cristy et al. [4], Rhama et al. [5] reveal that capital structure affects firm value. Meanwhile, in the research carried out by Chassanah [6], Irawan and Kusuma [7] show Capital structure does not affect firm value.

Business risk constitutes the second factor. Uncertainty and risk are two basic principles for businesses when determining their actions, uncertainty in the present can lead to risk, and risk is the expectation of what will happen to the economy in the future (Alamsyah and Malanua) [8]. The research conducted by Akhitah Putri [9] and Rahmi and Swandari [10] revealed that business risk affects firm value[29]. The research put forward by Dinayu et al. [3] and Alamsyah and Malanua [8] states that business risk does't affect firm value.

Sales growth is the final element that can influence a company's worth. Sales growth is the process of growing the amount or valume of sales. The pace of growth of a company's sales is determined by revenue, which is a crucial measure of how well its products and services are received by customers (Dewi et al.) [11]. The research put forward by Dewi and Sujana [12], Wijaya [13], Sumiyati et al. [14] revealed that sales growth affect firm value. The research put forward by Andriani [15]) said that a company's worth is unaffected by sales growth.

The research project intends to ascertain the impact of firm value on factors such as capital structure, business risk, and sales growth in firms that are officially listed in the automotive and component sub-sector on the Indonesia Stock Exchange (IDX). The advantages of this research are to be utilized as a comparison for more research and as a summary for investors about Capital Structure, Business Risk, and Sales Growth on Company Value in Automotive and Component Companies Listed on the IDX in 2017-2020. The research is expected to give insights that both current investors and potential investors who are considering investing may utilize to prevent losses and poor judgments in the future.

LITERATURE REVIEW

Signaling Theory

Retrieved from Hasnawati (2005) at (Dewi and Sujana) [12] explaining the signaling theory of how investment spending and firm value are related, investment spending sends a signal to the market about the company's development potential, which in turn allows prices to rise and becomes a measure of firm value. Whereas according to Michael Spence (1973) at (Sudirgo et al) [16] is a theory that involves two parties : the internal parties (represented by management, which acts as the parties send the signal) and the external parties (represented by investors, who act as the parties receiving the signal).

Trade – off Theory

Trade-off theory aims to balance the advantages and costs of utilizing debt. Trade-off theory plays a role in maintaining a targeted capital structure aimed at maximizing market value, Additional debt is not permitted if the current level of debt utilization is higher. The sacrifices made will send a favorable message to investors and affect the company's worth (Oktaviani et al) [17].

Firm Value

Investors can use Firm Value as a reference to the success of a firm by calculating the total daily losses the company has sustained as a result of rising share prices (Toni and Silvia) [1]. and business value may also be explained by the fact that investment possibilities have a big impact on a company's worth, as measured by the stock market value indicator, and they may be a solid signal of future business development and, as a result, an increase in the firm's value (Gunardi et al) [18].

$$PBV = \frac{Clossing\ Price}{Book\ Value\ Per\ Share}$$

Capital Structure

One way to conceptualize the capital structure of a financial system is as a long-term investment that finds a balance between long-term debt and equity (Nasution) [19]. When funding its assets, the company's capital structure, namely that debt is an important part of the formation of the capital structure (Sumiyati et al) [14]. The balance between debt and equity in a firm's capital structure impacts how much it will cost to operate that company[25].

$$DER = \frac{total\ debt}{equity\ capital}$$

Business Risk

Business risk is the potential for losses or repercussions brought on by uncertainties resulting from a variety of circumstances, including bad management, inexperienced business strategy, or inadequate business processes (Kharollah et al) [20]. Risk in business operations refers to potential dangers in daily operations. One may view risk as the result of unpredictability in the future (putri) [9].

$$DOL = \frac{EBIT}{sales}$$

Sales Grwoth

Sales growth is the ratio that describes the company's ability to maintain its financial position in the midst of economic and business conditions. business conditions (Kasmir) [21]. Sales growth constitutes the process of increasing the size or quantity of sales (Dewi et al) [11]. If sales growth increases then profits earned will increase and will make the company value increase.

$$SG = \frac{sales\,(t) - sales\,(t-1)}{sales\,(t-1)}$$

METHOD

Research design

A quantitative descriptive method is used in this investigation. For this study, secondary data from the yearly financial statements filed on the Indonesia Stock Exchange (IDX) were used to construct quantitative statistics. based on data gathered from the https://www.idx.co.id website of the Indonesia Stock Exchange.

Population, Sample, Sampling

By using purposive sampling techniques to collect samples according to the following criteria, the population under investigation in this case consisted of 15 firms. These criteria are: Non-regularly listed firms in the automotive subsector and their components on the Indonesia Stock Exchange (IDX) from 2017 - 2021, Automotive sub-sector firms and their components that publish financial statements at dollars, companies in the automotive and components industry that IDX delisted. Therefore, 9 firms' worth of samples were collected. E-Views 10 program was used in this study due to the large amount of data and to minimize errors in manual calculations.

RESULTS AND DISCUSSION

Results

1. Descriptive Statistical Analysis

Tabel 1. Descriptive Statiscal Analysis

	PBV	DER	DOL	SG
Mean	1.398333	1.030833	0.152778	-0.002778
Median	0.630000	0.695000	0.065000	0.015000
Maximum	4.540000	3.750000	1.900000	0.650000
Minimum	0.280000	0.030000	-0.160000	-0.410000
Observations	45	45	45	45

Source : Output E-views 10

In this study, descriptive analysis is used to describe the research subject using sample data. The variables of Firm Value, Capital Structure, Business Risk and Sales Growth are included in the descriptive analysis in this study. These variables are displayed in the table below:

Firm value is the dependent variable in this study. Descriptive statistics based on 45 observations produce the table above, which shows that PT Selamat Sempurna Tbk (SMSM) has the highest firm value in

2017 with 4.540000 and PT Indomobil Sukses Internasional Tbk (IMAS) has the lowest firm value in 2017 with 0.280000. The independent variables of this study include capital structure (DER), business risk (DOL) and sales growth (SG). The results of the capital structure, in the table above show that PT Indomobil Sukses Internasional (IMAS) has the highest capital structure value in 2019, which is 3.750000, while PT Multi Prima Sejahtera Tbk (LPIN) in 2020 has the lowest capital structure value, which is 0.030000. The next variable is business risk, companies that get the highest value are PT Multi Prima Sejahtera Tbk (LPIN) in the year of 2017 with a value of 1.900000, and the company that gets the lowest score is PT Prima Alloy Steel Universal Tbk (PRAS), with a value of -0.160000, has the lowest business risk value for 2019. In addition, the last variable, namely sales growth, has the highest value are PT Prima Alloy Steel Universal Tbk (PRAS) in 2018, which is 0.650000, the company that gets the lowest score is PT Prima Alloy Steel Universal Tbk (PRAS) in 2019 amounting to -0.410000.

2. Hypothesis Test

Tabel 2. Results Random Effect Model (REM)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.334099	0.552321	2.415441	0.0216
DER	0.022785	0.152955	0.148964	0.8825
DOL	0.276935	0.173131	1.599573	0.1195
SG	0.562311	0.217294	2.587786	0.0144

Effects Specification		
	S.D.	Rho
Cross-section random	1.582045	0.9755
Idiosyncratic random	0.250459	0.0245

Weighted Statistics			
R-squared	0.216995	Mean dependent var	0.110342
Adjusted R-squared	0.143589	S.D. dependent var	0.263545
S.E. of regression	0.243891	Sum squared resid	1.903448
F-statistic	2.956073	Durbin-Watson stat	1.383725
Prob(F-statistic)	0.047141		

Source : Output E-Views 10

The Determination Test (R2) shows a value of 0.143589, Therefore, fluctuations in the growth and decline in firm value can be explained by by (DER), (DOL) and (SG / Sales Growth) by 14.35 percent as the remainder, Other factors not included in this study account for 85.65 percent of the variance.

The F test shows that the F-statistic amount is 2.956073, and the F-table has a level a = 5%, dfl (k-1) = 3 and dfl2 (n-k) = 32 gets an f-table value of 2.90, Thus, if the F-statistic is 2.956073 > F table 2.90 and the Prob (F-statistic) value of 0.047141 < 0.05. then, Ha is accepted. It is therefore possible to draw the conclusion that the independent variables are all influencing the dependent variable at the same time.

With the results of the table above, the t-test results for the variable Sales Growth (SG/Sales Growth), Business Risk (DOL), and Capital Structure (DER) are as follows:

Capital Structure (X1) The findings of the study on capital structure variables, which have a t-statistic value of DER 0.148964 t Table 2.03452 with Prob of 0.8825 > 0.05, The conclusion that follows is H1: rejected. The findings indicated that Capital Structure had no bearing on Firm Value.

Business Risk (X2) This is evidenced according to the research on business risk variables having a t-statistic value of DOL 1.599573 < t Table 2.03452 with Prob of 0.1195 > 0.05. The resulting conclusion is H2: rejected. The findings indicated that Business Risk does not affect Firm Value.

Sales Growth (X3) This is evidenced according to the research on sales growth variables having a t-statistic value of SG 2.587786 > t Table 2.03452 with a Prob of 0.0144 < 0.05. Therefore, it may be said that H3: accepted. The findings demonstrated that Sales Growth influences Firm Value.

Discussion

The Affect of Capital Structure on Firm Value

So it may be argued that the capital structure has no impact on the company's worth. Therefore, H1: rejected. High debt levels raise the risk of bankruptcy and all of its repercussions, including agency fees and taxes. The amount of debt that the firm will incur will not exceed a particular threshold at which the tax benefits of taking on more debt will balance the cost of experiencing financial troubles (Dinayu et al) [3]. According to the trade-off theory in the study (Oktaviani et al.) [17] explains that when there is a maximum point of debt. After reachingthe maximum point, however, Because of the expense of the challenges the firm faces, the usage of debt by the corporation will cause a decline in the value of the company. Large debt burdens put businesses at more risk, which lowers the company's value.

The Affect of Business Risk on Firm Value

Business Risk does not affect firm value, it might be said. Therefore, H2: rejected. The higher the value of business risk gained by the corporation, the larger the value of business risk (DOL), Research conducted by (Putri and Asyik) [22] argued that businesses with excessive business risk had declining value in the view of investors. An rise in the business risk faced by the company causes investors to react negatively. Rarely do investor embark on high-risk investments, instead they choose businesses with minimal business risk that may reduce future uncertainty by executing initiatives that are relatively secure.

The Affects of Sales Growth on Firm Value

Thus, Sales Growth has an impact on Firm Value. Therefore, H3: accepted. High sales growth may benefit a company's bottom line. The more the company's sales expand, the more money it will make. This piques investors' interest in the business (Elisa and Amanah) [23].

CONCLUSION

From the results of the research that has been done, the following conclusions can be drawn: The first variable shows that partially, the Capital Structure variable (DER) has no effect on the Company Value (PBV) of the Automotive Sub-Sector and Components for the 2017-2021 period. The second variable shows that partially, the Business Risk variable (DOL) has no effect on the Company Value (PBV) of the Automotive and Component Sub-Sectors in the 2017-2021 period. and the last variable the results obtained state that partially the Sales Growth variable (SG / Sales Growth) has an effect on the Company Value (PBV) of the Automotive and Component Sub-Sectors in the 2017-2021 period. Suggestions that can be given for further research in this study, as follows:

For Future Researchers: It is hoped that it can take examples of more varied variables because there are several variables that may affect company value, It is hoped that it can add a research period of more than 5 years in order to support and provide better research results.

For Investors and Prospective Investors: It is hoped that this research can be another consideration before making investment decisions because not only aspects of capital structure, business risk and sales growth refer to company value. And it is expected to more carefully observe the development of

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