

UNVEILING THE IMPACT OF SIZE, CAPITAL STRUCTURE, AND GROWTH ON THE VALUE OF MANUFACTURING COMPANIES: A NOVEL APPROACH

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ABSTRACT

Achieving investment success requires a thorough understanding of a company's intrinsic value, as strategic investment decisions often hinge on the accurate valuation of the target company. Recognizing this, companies must continually enhance their value to attract potential investors. This study sought to empirically assess the influence of company size, capital structure, and growth on the value of manufacturing firms listed on the Indonesia Stock Exchange (IDX) from 2014 to 2016. The research employed purposive sampling methods to gather data and utilized multiple linear regression analysis through SPSS software for statistical evaluation to meet this objective. The findings indicated that both company size and growth had a significant positive impact on company value, whereas capital structure did not show a significant effect. Moreover, the results of simultaneous testing revealed that the combination of capital structure, company size, and growth had a significant collective influence on the value of the companies. These insights underscore the importance of focusing on company size and growth strategies to enhance firm value in the eyes of investors.

Keywords: Capital Structure, Company Size, Company Growth, Company Value, Manufacturing, Indonesia Stock Exchange

ABSTRAK

Mencapai kesuksesan investasi memerlukan pemahaman yang mendalam tentang nilai intrinsik suatu perusahaan, karena keputusan investasi strategis sering kali bergantung pada penilaian yang akurat dari perusahaan target. Menyadari hal ini, perusahaan harus terus berupaya meningkatkan nilai mereka untuk menarik calon investor. Penelitian ini bertujuan untuk mengevaluasi secara empiris pengaruh ukuran perusahaan, struktur modal, dan pertumbuhan terhadap nilai perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia (BEI) dari tahun 2014 hingga 2016. Untuk mencapai tujuan ini, penelitian ini menggunakan metode purposive sampling untuk mengumpulkan data, dan analisis regresi linier berganda melalui perangkat lunak SPSS untuk evaluasi statistik. Temuan menunjukkan bahwa baik ukuran perusahaan maupun pertumbuhan memiliki dampak positif yang signifikan terhadap nilai perusahaan, sedangkan struktur modal tidak menunjukkan pengaruh yang signifikan. Selain itu, hasil pengujian simultan mengungkapkan bahwa kombinasi struktur modal, ukuran perusahaan, dan pertumbuhan memiliki pengaruh kolektif yang signifikan terhadap nilai perusahaan. Wawasan ini menekankan pentingnya fokus pada strategi ukuran dan pertumbuhan perusahaan untuk meningkatkan nilai perusahaan di mata investor.

Kata Kunci: Struktur Modal, Ukuran Perusahaan, Pertumbuhan Perusahaan, Nilai Perusahaan, Manufaktur, Bursa Efek Indonesia

ARTICLE INFO

Article History:

Received: April 05, 2024

Revised: June 03, 2024

Published Online: June 10, 2024

How to cite:

Juniarto, A., Tyas, I. W., & Wicaksono, D. D. A. (2024). Unveiling the Impact of Size, Capital Structure, and Growth on the Value of Manufacturing Companies: A Novel Approach. *International Journal of Digital Entrepreneurship and Business (IDEB)*, 5(1), 54–66. <https://doi.org/10.52238/ideb.v5i1.153>



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Conflict of interest statement: The author(s) reported no conflict of interest.

INTRODUCTION

The growth of trade in Indonesia is typically considered to signify increasing competition in the industrial sector. This fact is supported by a previous study where economic growth was emphasized as a vital indicator of a country's development (Wiranata & Nugrahanti, 2013). The study further stated that the rapidly increasing competitive environment compelled companies to enhance performance to achieve established objectives: optimizing value and profits for shareholders, investors, and other stakeholders. Consequently, managers must make sound financial decisions on behalf of respective companies, adhering to agency theory principles and acting as shareholders' representatives. Regarding the making of effective and sound Financial decisions, financial statements have been observed to be a crucial metric. This is primarily because the metric presents relevant information to internal and external stakeholders, aiding in informed decision-making. For instance, cash flow-derived financial reports have been found to effectively provide insights into net asset positions (Maruta, 2017). It is essential to comprehend that as a prime investment destination, companies in Indonesia compete to enhance value to attract the attention of capital owners and stakeholders. Typically, company stock price reflects the value and serves as a benchmark for investors when purchasing shares. This study used the price-to-book value (PBV) ratio to measure business success in delivering results, while company size was assessed based on total assets. Previous investigations have shown varied results regarding the relationship between company structure, organizational performance, growth, and value (Hartanto, 2024). However, the present study aims to examine the impact of these variables through direct observation. The results provide recommendations for operational decision-making and investment attractions, serving as a foundation for further investigations in the field.

LITERATURE REVIEW

Agency theory describes the contract between management and owners, in which the owners delegate authority to representatives in a bid to make decisions on behalf of the respective company (Irwansyah et al., 2020). In this context, the Chief Financial Officer (CFO) maximizes shareholder value by enabling shareholders to make informed corporate decisions and allowing managers to enhance self-prosperity. However, it is crucial to comprehend that the interests of owners and agents can diverge, leading to conflicts. Managerial empowerment has been found to possess the capability to foster decision-making that solely benefits managers, and this has the potential to affect company performance and generate conflicts. These conflicts often incur costs in the relationship between agents and principals, such as monitoring costs incurred by company owners to control representatives' behavior. The use of debt in the capital structure has been found to minimize agency conflicts, as owners generally aim to ensure appropriate debt repayment decisions. Furthermore, a significant amount of debt in the capital structure can serve as an instrument to guide company leaders who might otherwise behave opportunistically. Based on these results, debt in the capital structure can be inferred to possess the capability to reduce agency disagreements and increase investor confidence in management. To ensure optimal performance and correspondence of interests between owners and managers, the financial analysis of a company must focus primarily on the efficient use of debt.

Various previous studies have examined signaling theory, a concept that emphasizes the positive aspects of a company, as a metric to measure strong values. Based on this theory, and because shareholders do not have direct access to sensitive management information, managers must adopt reliable strategies to present relevant information to shareholders (Kamal, 2022), emphasizing the need for a typical information asymmetry between the two parties. The signaling theory also underscores the importance of financial statements as a tool to address information imbalances between related parties. The utility of financial statements is generally to aid decision-making by explaining a company's financial

performance. In the business landscape, companies send signals to stakeholders to reduce uncertainty about the future. These signals help distinguish between solid and weak establishments, with the strong being more transparent in presenting information through respective financial statements, assuring investors of future success (Mariani, 2018). Based on this understanding, businesses must explain accurately to stakeholders to achieve enhanced value.

Value is critical in the business landscape, specifically for shareholders, as it serves the role of a market benchmark for evaluating company performance. Shareholders often measure a company's value by its stock selling price. This implies that an increase in stock price is regarded as a proportional rise in value. For a company not yet listed on the stock exchange, its value can be defined as the price consumers would be willing to pay if the company were auctioned. (Noviani et al., 2019). However, when a company is listed on the stock exchange, its value is reflected in the stock selling price, which is determined by the total assets and securities owned (Cahyanto, 2014). In this context, securities are a prime example of financial instruments issued by companies.

In this study, the second variable considered is company size. This variable has been defined from various perspectives across different investigations. For instance, Wahyu (2019) defined the variable as the dimensions of a company that can be categorized as either large or small based on criteria such as total assets, total sales, and average sales level (Wahyu, 2019). Another study stated that it includes production flexibility, capacity, and the availability of services the company can provide to customers simultaneously. Accordingly, this variable is an important indicator considered in financial policy and is typically determined by the scale of company wealth (Suwardika, 2017).

According to Cahyanto (2014), companies typically use financial frameworks to combine debt, preferred securities, and common securities (Cahyanto, 2014). A proportional financial framework consists of these three components, all of which can enhance the value of financial instruments. As stated in a previous investigation, a company's financial structure is influenced by various indicators, including sales volume, asset structure, financial leverage, debt ratio, and growth value (Hermuningsih, 2013). Generally, rapidly growing businesses tend to rely on capital and often face higher uncertainty risks, which tends to reduce the use of cash through borrowing. Growth has been observed to serve as an indicator for investors regarding profitable prospects and the potential for lucrative investment returns (Dewi, 2017). The growth ratio reflects a company's ability to maintain financial stability regardless of evolving market conditions. This emphasizes that growth signifies the progress of business in developing and sustaining continuity in a changing economic environment (Habsari, 2018).

Larger companies have been found to possess a superior capability to enhance value by optimizing performance more effectively (Mardianto, 2022). Accordingly, size can be augmented by increasing profits, which has the potential to raise the stock price and attract investors targeting profitable returns. A company is considered large if it possesses significant and valuable assets; the reverse is true for smaller establishments. A large company would generally exhibit lower risk than a small one and be more likely to secure financing from third parties such as banks (Nurmansyah et al., 2023). This statement was further supported by Satria et al. (2021), who stated that the stable financial conditions typically associated with larger companies attracted investors to provide more capital (Satria et al., 2021), often resulting in an uptick in company stock price in the market. However, a company's high debt levels are associated with diminished profits due to interest payments, potentially lowering net profit and impacting value (Christian, 2022). It is essential to comprehend that the assessment of investors is not solely based on the total size but also incorporates factors such as company reputation

and the quality of the financial reports. According to a previous study, a large company would typically host substantial assets. Yet, some of the assets may not be productive, thereby adding to the company's burden due to associated costs (Suwardika, 2017), which can lower a value. Potential investors frequently regard company size as an indicator of potential performance. Hence, a company with substantial total assets is perceived to operate optimally. Based on the discussed asset framework, the following hypothesis was formulated:

H₁: Company size has a positive influence on company value.

Previous studies showed that the level of a company's debts reflects its value (Abdillah, 2021). This statement is supported by the fact that businesses often strive to increase value by performing various management functions, including selecting effective funding sources. A crucial management aspect includes deciding the appropriate capital structure to achieve company goals. The higher the leverage ratio, the higher the liabilities, and the lower the debt-to-equity (DER) ratio, the better the company's ability to repay debts. According to Susanti (2022), increased debt correlates with higher profitability, thereby influencing value (Susanti, 2022). This correlation exists principally because using debt in the capital structure can enhance company value, as evidenced by the substantial benefits that debt provides. Consequently, establishments tend to use external funding sources in the form of debt to achieve long-term objectives. Positive prospects for a company's sustainability have also been found to exhibit the potential to increase investor confidence. In turn, this would drive the value growth through increased share demand. DER serves as an indicator for measuring capital structure.

A higher DER shows a higher proportion of debt in the capital structure than equity. If the DER of a company is low, it is typically considered to have higher payment obligations, implying a higher risk related to its ability to repay debt. In this context, value is typically represented by the opinions of investors about company success, which is associated with the stock price. A high stock price increases company value, instilling market confidence in the current performance of establishments and prospects (Dhinata, 2020). Based on these results, inferences can be drawn that capital structure positively and significantly impacts value, reflecting profitability (Valdah, 2021). When financial profitability exceeds the interest rate, it supports the growth of equity profitability, which is more significant compared to scenarios without financial leverage. Therefore, using debt in such situations is beneficial because it provides higher returns than the interest cost on the debt, benefiting shareholders (Hamidy, 2015). Based on the discussed framework, the following hypothesis was formulated:

H₂: Capital structure has a negative influence on company value.

According to previous literature, the larger the growth of a company, the higher its value (Novitasari, 2021). Investors typically anticipate business growth from companies as it signifies potential investment returns. In this context, growth is calculated as the percentage change in assets in a specific year compared to the previous year. As previously stated, the higher a company's profitability, the higher the returns expected by investors. Therefore, investors are generally attracted to rapidly growing company stocks. Based on this understanding, it can be inferred that growth can influence company value (Ayu, 2018). As elucidated in another study, companies with increasing assets tend to increase respective operating profits, enhancing external investor confidence (Yanti et al., 2023). Alternatively, if company growth is low, using debt as a funding source becomes plausible because it requires the company to pay interest regularly. This is particularly important because promising future growth will increase investor interest and potentially raise stock prices.

The faster a company grows, the greater the need for funds for expansion. The greater the future financing needs, the greater the company's inclination to retain profits. Therefore, a growing company should reinvest acquired profits as dividends to fund expansion costs. In line with signaling theory, stock prices have been found to provide investors with information about a company (Satrio, 2023). An increase in stock prices corresponds to an increase in value, as company growth reflects opportunities for investors to profit from investments. The value of a company is influenced by several factors, including growth, as evidenced by the fact that a company with substantial asset growth typically shows the capability to manage acquired resources to generate profits effectively. Growth heavily depends on the determined composition of capital structure, and capital structure strictly compares the total debt to equity owned by a company (Frida, 2022). Based on the observed framework, the following hypothesis was formulated:

H₃: Company growth has a positive impact on company value.

METHODS

In this study, all manufacturing-focused business sectors listed on the Indonesia Stock Exchange (IDX) from 2014 to 2016 constituted the population. Furthermore, a rigorous sampling method was adopted to select the sample, and data were collected through field study and a comprehensive literature review. Financial information was also sourced from the Indonesian Stock Exchange as a secondary factual resource. Hypotheses were tested using multiple linear regression analysis, utilizing the SPSS 24 application.

This observation identifies company value as the dependent variable, mediated by the relationship between market value and book value (PBV). In the context of this study, PBV, which typically refers to the difference between the market value of securities and the book value of stocks, served as a proxy to evaluate the ability of a company to generate investor returns that provide added value. Accordingly, a high PBV showed significant added value generated by a business (Ramadhani, 2016). This metric was calculated using the following formula:

$$PBV = \frac{\text{Stock price}}{\text{Book Value of Shares}}$$

This study observed three independent variables, each potentially influencing business value: growth, size, and capital structure.

Following the fact that assets are considered an indicator reflecting the scale of business operations, this study uses the total assets of a company as a proxy for size. Company size was represented by the following formula (Wahyu, 2019):

$$SIZE = Ln (\text{Total assets})$$

Capital structure refers to the combination of company debt and equity. Therefore, DER is a key metric in this context and was calculated using the following formula (Nining, 2021):

$$DER = \frac{\text{Total Debt}}{\text{Total Assets}}$$

Growth. Business growth was assessed by calculating the changes in total assets. This was determined as the difference between the total assets in a specific period and the total assets in the previous period,

divided by the total assets in the previous period. The formula to calculate business growth is as follows (Laurencia, 2019):

$$Growth = \frac{Total\ Assets\ t - Total\ Assets\ t-1}{Total\ Assets\ t-1}$$

The regression model equation relating the independent variables to the dependent variable is formulated in the model as follows (Bhirawa, 2020):

$$PBV = \alpha + \beta_1 SIZE + \beta_2 DER + \beta_3 DGRW + \varepsilon$$

Description:

PBV	=	Company Value
α	=	Constant coefficient
β_{1-3}	=	Regression coefficient of each independent variable
SIZE	=	Company Size
DER	=	Capital Structure
GRW	=	Company Growth
ε	=	error, namely the error that occurs when forecasting the Y value.

RESULT AND DISCUSSION

Descriptive statistics provide data on characteristics such as the most minor results, most significant values, averages, and distributions. These characteristics were typically measured using standard deviation.

Table 1: Descriptive statistics

Constructs	N	Minimum	Maximum	Mean	Std. Deviation
Company Value	138	0.120	58.480	3.89500	7.774800
Company Size	138	25.720	33.199	28.59174	1.565800
Capital Structure	138	0.080	5.150	0.93616	0.842928
Growth	138	0.000	0.617	0.14287	0.122660

Source: testing with SPSS 24

Table 1 presents descriptive statistics for the dataset spanning 2014 to 2016, comprising 138 observations. For the variable interpretation, the average value obtained was 3.89500, with a standard deviation of 7.774800. Furthermore, Prima Baja Paduan Universal Tbk (PRAS) was observed to record the lowest observation value of 0.120 in 2015, while Unilever Indonesia Tbk (UNVR) had the highest value of 58.480 in 2015. Concerning the company size variable, the average value was 28.59174, with a standard deviation 1.565720. The lowest value, 25.720 in 2014, was reported for Internastanalwi Tbk (INCI), while Astra International Tbk (ASII) had the highest value of 33.199 in 2016. Following this, the capital structure variable exhibited an average value of 0.93616, with a standard deviation of 1.565800. In 2014, Batija PT Semenura (Persero) Tbk (SMBR) recorded the lowest value of 0.080, while Indal Aluminium Industry Tbk (INAI) reported the highest, at 5.150. Regarding the business growth variable, the average was 0.14287, with a standard deviation of 0.122670. The lowest result was 0.122660 for KMI Wire and Cable Tbk (KBLI), while Prima Alloy Steel Universal Tbk (PRAS) reported the highest, at 0.617, in 2014.

Before conducting multiple regression analysis, it is crucial to test the classical assumptions to ensure the data's suitability for the selected analysis method. The classical hypothesis testing carried out in this study comprised tests for normality, multicollinearity, heteroskedasticity, and autocorrelation. It is also

essential to ensure that the processed data adheres precisely to the aforementioned classical assumptions because the data guarantees the reliability of the analysis results.

The normality test was adopted to assess whether the residual or error variables in the regression model conformed to a normal distribution. The One Sample Kolmogorov-Smirnov test was utilized for this test.

Table 2: Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		138
Normal Parameters	Mean	0.0000000
	Std. Deviation	0.45851982
Most Extreme Differences	Absolute	0.044
	Positive	0.044
	Negative	-0.035
Test Statistic		0.044
Asymp. Sig. (2-tailed)		0.300

The normality test results presented in Table 2 show a significant value (Asymp. Sig. – 2-tailed) of 0.300, which exceeds 0.05. Based on this value, the data was assumed to follow a normal distribution.

Multicollinearity Test. The multicollinearity test assessed the correlation between the independent variables in a regression model. Typically, multicollinearity can be detected using tolerance values and variance inflation factors (VIF). If the tolerance value exceeds 0.1 and the VIF value is less than 10, the variable is generally considered free from multicollinearity. Alternatively, if the tolerance value is below 0.1 and the VIF value exceeds 10, it suggests multicollinearity in the variable being considered.

Table 3: Multicollinearity Test Results

Coefficients ^a							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	-11.424	2.548		-4.483	0.000		
LOG_SIZE	8.146	1.750	0.381	4.655	0.000	0.933	1.072
LOG_DER	-0.045	0.108	-0.034	-0.415	0.679	0.933	1.072
LOG_Gr	0.177	0.081	0.174	2.189	0.030	0.992	1.008

a. Dependent Variable: LOG_PBV

The results of the multicollinearity test show the absence of multicollinearity among the independent variables in the regression model, with tolerances greater than 0.1 and VIF values less than 10.

Heteroskedasticity Test. The heteroskedasticity test was carried out in order to assess for the presence of non-uniformity in the residual variation across observations in the regression model. This testing method was carried out using the Park Test.

Table 4: Heteroscedasticity Test Results

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-19.924	12.731		-1.565	0.120
LOG_SIZE	12.196	8.742	0.121	1.395	0.165
LOG_DER	0.896	0.541	0.144	1.655	0.100
LOG_Gr	0.478	0.403	0.100	1.186	.238

a. Dependent Variable: LN

The computed significance values for all independent variables were observed to be at least 0.05 or greater, implying statistical significance. Therefore, it was assumed that no heteroskedasticity issues existed within the regression model.

The autocorrelation test was conducted to assess whether there is a correlation between the residual errors in period t and those in the previous period (t-1) in the linear regression model. The Durbin-Watson method was utilized for this test.

Table 5: Autocorrelation Test Results

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.403 ^a	0.163	0.144	0.46362	2.063

a. Predictors: (Constant), LOG_Gr, LOG_SIZE, LOG_DER

b. Dependent Variable: LOG_PBV

The autocorrelation test conducted showed a value of 2.063. This fell within the expected range between dU (1.7665) and 4 - dU (2.2335), showing that the regression model did not suffer from autocorrelation issues.

A multiple regression model was adopted to test the hypotheses in this observation. This was used to assess the impact of independent variables on the dependent variable with a confidence level of 95%. The equation used for multiple linear regression analysis is as follows:

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

Description:

Y	=	Company Value	α	=	Constant
β	=	Regression coefficient	X_1	=	Company Size
X_2	=	Capital Structure	X_3	=	Company Growth
ε	=	error			

Table 6: Results of Multiple Regression Analysis

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-11.435	2.548		-4.483	0.000
LOG_SIZE	8.146	1.750	0.381	4.655	0.000
LOG_DER	-0.045	0.108	-0.034	-0.415	0.679
LOG_Gr	0.177	0.081	0.174	2.189	0.030

a. Dependent Variable: LOG_PBV

This study conducted a T-test to observe how the dependent variable partially influenced the independent variable. The confidence level adopted in this context was 95%, implying that the accepted error rate was 5%.

Table 7: T-test results

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-11.424	2.548		-4.483	0.000
LOG_SIZE	8.146	1.750	0.381	4.655	0.000
LOG_DER	-0.045	0.108	-0.034	-0.415	0.679
LOG_Gr	0.177	0.081	0.174	2.189	0.030

a. Dependent Variable: LOG_PBV

The first hypothesis of this investigation posits that size has a positive and significant influence on company value. The analysis showed that the significant value for company size was 0.000, less than 0.05, with a regression coefficient of 8.146. This finding confirmed that company size had a positive and significant influence on value, thereby accepting the first hypothesis. Typically, size reflects the magnitude of a company and is manifested in the total assets owned. Considering this fact, conclusions can be drawn that the larger the size of a company, the higher its value. It is also essential to comprehend that establishments with high growth rates often signal investor interest (Satria et al., 2021). These results correspond with previous studies showing a positive relationship between size and value (Suwardika, 2017).

The second hypothesis elucidated that the capital structure negatively and significantly influenced company value. However, the analysis showed that the significance value for the capital structure variable was 0.679, exceeding 0.05, with a regression coefficient of -0.045. This result showed that capital structure did not exert a negative and significant influence on company value. Hence, the second hypothesis was rejected. The obtained results align with previous exploration conducted by Abdillah and Situngkir (2021). It implies that a company can potentially generate higher profits with effective debt management. This could occur because investors are generally attracted to investing or injecting additional capital into establishments that can generate higher profits (Valdah, 2021).

The third hypothesis suggested that growth positively and significantly influenced value. The analysis showed a significant value for the company growth variable of 0.030, less than 0.05, with a regression coefficient 0.177. According to a previous study, growing companies often require more significant capital, typically sourced externally through debt, to expand business operations (Yanti et al., 2023). This implied that company growth had a positive and significant influence on company value, thereby leading to the acceptance of the third hypothesis. The result is consistent with the research by Novitasari (2021) and Suwardika (2017).

F-test (ANOVA) was conducted to evaluate the simultaneous collective influence of the independent variables on the dependent variable. In this context, if the significance value exceeds 0.05, the independent variables do not simultaneously affect the dependent variable. However, with a significance value of less than 0.05, the independent variables would be considered to influence the dependent variable collectively.

Table 8: F-test results

ANOVA ^a						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.610	3	1.663	8.690	0.000 ^b
	Residual	28.303	134	.215		
	Total	34.453	137			
<i>a. Dependent Variable: LOG_PBV</i>						
<i>b. Predictors: (Constant), LOG_Gr, LOG_SIZE, LOG_DER</i>						

The results of the F-test showed a significance value of 0.000, which is lower than 0.05. This implied a significant collective influence of company size, capital structure, and growth variables on company value.

The R² (adjusted R-squared) test evaluates the degree to which a model can account for the variance in the dependent variable, ranging between 0 and 1. Generally, a decrease in R² value towards zero suggests that the independent variables' ability to explain the dependent variable's variance diminishes or provides less essential information. Alternatively, as the R² value approaches one, it shows that the independent variables can supply all the requisite information to predict the variance in the dependent variable.

Table 9: R² test results

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.403 ^a	0.163	0.144	0.46362
<i>a. Predictors: (Constant), LOG_Gr, LOG_SIZE, LOG_DER</i>				
<i>b. Dependent Variable: LOG_PBV</i>				

The R² test result, with a value of 0.144, suggests that approximately 14.4% of the variation in company value can be explained by the independent variables used in the model, namely company size, capital structure, and growth. Meanwhile, approximately 85.6% of this variation is attributed to other factors not included in this study.

The study has several limitations: a low R^2 value, explaining only 14.4% of the variation in company value, indicating that other factors were not examined; the use of single proxies for each independent variable; and the focus solely on manufacturing companies. Future research should incorporate additional variables with potentially more significant impacts, such as profitability, to provide deeper insights into business health and performance. It should also use alternative proxies, like the Debt-to-Assets Ratio (DAR), to measure capital structure and expand the scope to include other sectors, such as services, to gain broader insights into capital structure and financial performance.

CONCLUSION

This study evaluated the impact of company size, capital structure, and growth on the value of companies listed on the IDX from 2014 to 2016. The results indicated that company size and growth positively influenced company value, while capital structure did not. Larger company size was associated with higher value due to greater operational capacity, economies of scale, and market strength. This finding underscores the importance of scale in achieving competitive advantage and maximizing operational efficiencies. Conversely, the capital structure, defined by the debt-to-equity mix, did not significantly affect value, suggesting that funding sources are not primary determinants of company value. This insight challenges the traditional emphasis on optimal capital structure in financial management, indicating that other factors might play a more pivotal role in driving company value. The growth reflected in increasing revenue, market share, or business expansion was found to enhance company value, indicating promising future prospects for investors. This highlights the critical importance of growth strategies in enhancing a firm's market position and investor appeal. Firms that successfully implement growth initiatives are likely to see higher valuations, as growth signifies future potential and competitiveness. Overall, this study contributes to the understanding of how internal factors such as size and growth influence firm value, providing valuable insights for managers and investors. Companies can enhance their market value and attractiveness to investors by focusing on scaling operations and pursuing growth opportunities, even if the capital structure is less influential than traditionally thought.

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