

The Factor of Determinants Influencing Firm Value with Opportunity to Grow as Moderating Variable: A Case Study at Manufacture Companies Listed in the Indonesia Stock Exchange in the Period of 2012-2015

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Abstract: The objective of the research was to find out and to analyze the influence of Financial Ratio, Firm Size, Financial Function, and Institutional Ownership on Firm Value and the Opportunity to Grow in moderating the influence of all independent variables on Firm Value in the manufacture companies listed in the Indonesia Stock Exchange in the period of 2012-2015. The research used panel data analysis to test the hypothesis and interaction test to test moderating variable. The result of the research showed that Financial Ratio and Firm Size had the influence on Firm Value. Opportunity to Grow could not moderate the influence of Financial Ratio, Firm Size, and Institutional Ownership on Firm Value.

1 INTRODUCTION

Basically the company's goals can be grouped into two, namely short-term goals and long-term goals. The company's short-term goals are related to maximizing profits while the company's long-term goals are related to maximizing the welfare of the owner. So that the company's ability to empower its resources will have a major impact on achieving company goals.

A manufacturing company is a branch of industry that applies machinery, equipment, labor, and certain media in the process of processing raw materials into finished goods. Manufacturing companies in Indonesia themselves are one of the largest industries owned by Indonesia given the richness of natural resources owned. Referring to the report of the United Nations Industrial Development Organization (UNIDO), Indonesia is ranked in the top 10 manufacturing countries in the world after China, the United States, Japan, South Korea, India, Italy, France and Brazil. One of the largest manufacturing sub-sectors in Indonesia is the food and beverage industry, considering that Indonesia's population reaches approximately 250 million people. But at the ASEAN level, competitiveness

reflects the performance of manufacturing companies, Indonesia is still inferior to several other countries, such as Singapore, Malaysia and Thailand. This is due to the lack of financial support that makes it difficult for entrepreneurs to compete with competitors.

In addition, some time ago, Indonesia was threatened by the deindustrialization phenomenon, which can be seen from the decreasing contribution of manufacturing companies to gross domestic product. The growth of the manufacturing industry has declined and is below national economic growth. For example, in the period 2013 to 2015, the contribution of the manufacturing industry to GDP was 21.03 percent, 21.01 percent and 20.84 percent respectively. While in terms of growth rates grew by 4.37 percent, 4.61 percent, and 4.25 percent or below national economic growth respectively 5.78 percent, 5.02 percent and 4.79 percent. Even so, various estimates of Indonesia's manufacturing performance that fluctuated even declined when compared to the last ten years due to various aspects that are still being discussed until now.

The following is a phenomenon table of 10 companies to see the factors that can influence the value of manufacturing companies listed on the

Indonesia Stock Exchange (IDX) in the period 2012 to 2015.

Table 1: The phenomenon of the influence of Debt Policy, Profitability, Liquidity, Dividend Policy, Firm Size, Inventory Activities, and Institutional Ownership

Variable	Year			
	2012	2013	2014	2015
Firm Value	8,61	8,24	8,84	8,92
Debt Policy	0,72	0,73	0,75	0,78
Profitability	33,88	31,65	29,81	24,85
Liquidity	173,44	174,28	158,12	145,85
Dividend Policy	39,49	39,74	30,48	52,41
Firm Size	24,07	24,17	24,34	30,53
Inventory Activities	12,95	12,7	12,66	12,79
Institutional Ownership	58,56	60,08	60,55	62,97
Opportunity to Grow	14,31	11,85	14,65	23,41

2 THEORETICAL FRAMEWORK

Company value can be measured by the value of stock prices on the market, based on the formation of the company's stock price in the market, which is a reflection of public evaluations of the company's performance in real terms. The process of forming stock prices in the market will depend on the conditions of the level of market efficiency, both information and decision (Harmono, 2009).

One of ways to evaluate whether profits are used to make decisions or not is to compare the earnings and performance of shares of a company that goes public. If the company is profitable, the retained earnings account will rise so that the book value of equity will also increase. This increase in equity book value indicates an increase in the book value of the company. The ability of earnings information and book value in explaining the stock price is getting bigger. Statistically, about 62% of the information explains the company's stock price. This means that the information that drives this stock price is dominated by the company's book value and profit value. When the publication of profits occurs, there is also a reaction in the price and volume of stock trading. This shows that earnings information is very relevant in decision making on the stock exchange (Sulistiawan, et al., 2011).

Opportunity to grow is the opportunity of the company to grow in the business world it manages. Growth or the opportunity to grow a company can

affect company performance because large companies tend to obtain economies of scale that can indirectly affect company performance (Wardhani & Joseph, 2010).

Solvability Ratio or Leverage Ratio is a ratio used to determine the company's ability to pay obligations if the company is liquidated. The higher the ratio, the more creditor money the company uses to generate profits. The higher the company's debt ratio, the greater the influence of corporate finance (Sumarson, 2013). In determining debt policy, companies must consider the right amount. The establishment of a debt policy by the Company will certainly have an impact on how investors see the existence of the company. Indirectly, investors will look at the value of the company based on the debt policy that has been taken.

Profitability ratio is a ratio to assess a company's ability to seek profits. This ratio also provides a measure of management effectiveness of a company. This is indicated by profits generated from sales and investment income (Brigham & Houston, 2010). High profitability is a positive signal for investors because it influences the prospects for better corporate growth in the future. Indirectly investors will capture the positive signal as a perception where the value of the company with high profitability has a high corporate value.

Liquidity is a financial ratio that measures the ability of a company to fulfill short-term obligations with its current assets. The liquidity dimension reflects a review of management performance in terms of the extent to which management is able to manage working capital funded by current debt and balances. With the better liquidity of a company it will also have a positive impact on the value of the company in the eyes of investors (Harmono, 2009).

Dividend policy is the percentage of profits paid to shareholders in the form of cash dividends, safeguarding the stability of dividends from time to time, distribution of stock dividends, and repurchase of shares (Van Horne & Wachowicz, 2014). Companies that distribute dividends will provide a signal to investors regarding the condition of the company. So that the dividend policy taken by the company will also have an impact on the value of the company.

Company size can be classified as one of the elements of the work environment that will also influence the perception of management later. The choice of an accounting method can be used as a tool to influence company value (Hery, 2012). Companies with large sizes tend to be easier to gain access to the capital market, so they tend to get more business opportunities. So that it can be concluded that the increasing size of a company will be able to encourage the better value of the company.

Activity ratio is a ratio used to measure the effectiveness of a company in using its assets. Or it can also be said that this ratio is used to measure the level of efficiency (effectiveness) of the utilization of company resources (Brigham & Houston, 2010). A manufacturing company is a company sector that produces raw goods into finished goods, so inventory management is very much needed related to the increase in company earnings. The higher level of company activity shows that the higher the effectiveness of the company in managing transaction activities in the company.

Institutional investors who invest in company shares will get a large incentive to influence and monitor management actions that have an impact on reduced earnings management actions. Institutional ownership by some researchers is believed to affect the company's performance and the company's goal of maximizing company value. The company is a collection of contracts (agreements) with various parties involved, such as employees, shareholders, government, creditors, and so on (Hery, 2013). In addition to helping manage, company ownership also has an impact on the decisions that will be made. Proper decision making will have an impact on the better performance obtained.

3 RESEARCH METHOD

The population of Manufacturing Companies that are consecutively registered and distribute their dividends on the Indonesia Stock Exchange during the 2012-2015 period are 33 companies. The sampling technique used is saturated sampling. The number of research samples is 132 observations (33 companies × 4 years).

This research was conducted by accessing several data sources from the official website of the Indonesia Stock Exchange www.idx.co.id. The data analysis model used in this study is panel data regression analysis and moderating variable regression model. The processing of data in this study uses Eviews software version 7.

4 ANALYSIS

a. Model Selection

Then the model selection is done by using the chow test and hausman test. In this research, FEM was chosen so that the classical assumption test was

needed. The following are the results of the FEM test.

Table 2: Chow Test

Redundant Fixed Effects Tests				
Pool: DPANEL				
Test cross-section fixed effects				
Effects Test	Statistic	d.f.		Prob.
Cross-section F	7.775160	(32,92)		0.0000
Cross-section Chi-square	172.856932	32		0.0000

Table 3: Hausmann Test

Correlated Random Effects - Hausman Test			
Pool: DPANEL			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	35.794611	7	0.0000

Table 4: Fixed Effect Model

Dependent Variable: Y?

Method: Pooled Least Squares

Date: 01/15/18 Time: 11:23

Sample: 2012 2015

Included observations: 4

Cross-sections included: 33

Total pool (balanced) observations: 132

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1?	0.459464	0.193487	2.374651	0.0196
X2?	0.289485	0.079529	3.640008	0.0005
X3?	0.724397	0.224056	3.233113	0.0017
X4?	0.119693	0.095468	1.253749	0.2131
X5?	0.856602	0.200654	4.269051	0.0000
X6?	-0.034300	0.219173	-0.156497	0.8760
X7?	-0.006089	1.476313	-0.004124	0.9967
C	-7.849993	7.698099	-1.019731	0.3105

Cross-section fixed (dummy variables)

R-squared	0.787456	Mean dependent var	1.156590
Adjusted R-squared	0.697356	S.D. dependent var	1.03773
S.E. of regr	0.570887	Akaike info criterion	1.96179

Sum squared resid	29.98392	Schwarz criterion	2.83537
Log likelihood	-89.47860	Hannan-Quinn criter.	2.31677
F-statistic	8.739794	Durbin-Watson stat	2.05328
Prob(F-statistic)	0.000000		

b. The Classical Assumption Test

The next normality test was carried out with Jarque-Bera (J-B) with the probability value of the Jarque-Bera statistic is 0,263327. Multicollinearity test is done by a correlation matrix with a correlation value between independent variables no more than 0,9. Then the autocorrelation test is carried out with watson durbin with the value of the Durbin-Watson statistic is 1,528159. Finally, the autocorrelation test using the Breusch-Pagan test with the Prob Obs * R-Squared value is 0,1551.

c. Panel Data Regression

Panel data regression equation is taken from the FEM table to see the coefficient of determination and the results of partial and simultaneous hypothesis tests.

d. Moderating Variable Test

After t test and F test, the next step is testing the moderating variable with the Moderated Regression Analysis (MRA) test.

Table 5. MRA Test

Dependent Variable: Y
 Method: Least Squares
 Date: 01/21/18 Time: 18:01

Sample: 1 132
 Included observations: 132

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Z	4.829239	2.437951	1.98086	0.0500
X1	-0.037538	1.140410	0.032916	0.9738
X1Z	0.160674	0.377805	0.42528	0.6714
X2	-0.226712	0.365073	0.621007	0.5358
X2Z	0.143584	0.097112	1.478535	0.1420

X3	2.069656	1.376946	1.503077	0.1355
X3Z	-0.461113	0.445551	-1.034927	0.3029
X4	-0.221010	0.338602	-0.652712	0.5152
X4Z	0.136022	0.107678	1.263232	0.2090
X5	-0.402812	0.280921	-1.433897	0.1543
X5Z	0.156614	0.098862	1.584166	0.1159
X6	-0.160621	0.335798	-0.478327	0.6333
X6Z	0.091757	0.111956	0.819579	0.4141
X7	2.281910	1.508490	1.512711	0.1331
X7Z	-1.247377	0.546424	-2.282801	0.2243
C	-9.999356	6.711227	-1.489945	0.1390
R-squared	0.311905	Mean dependent var		1.156590
Adjusted R-squared	0.222927	S.D. dependent var		1.037730
S.E. of regression	0.914777	Akaike info criterion		2.772939
Sum squared resid	97.07073	Schwarz criterion		3.122370
Log likelihood	-167.0140	Hannan-Quinn criter.		2.914932
F-statistic	3.505427	Durbin-Watson stat		1.556677
Prob(F-statistic)	0.000060			

5 RESULTS

The results of the simultaneous hypothesis testing show: 1) Debt Policy has an effect on Company Value; 2) profitability affects the value of the company; 3) Liquidity in research affects the value of the company; 4) Dividend policy in this study does not affect Company Value; 5) Company Size in this study has an effect on Company Value; 6) Inventory Activities in this study do not affect Company Value; 7) Institutional Ownership in this study does not affect Company Value.

Growth Opportunities which are proxied by Price Earning Ratio (PER) are not able to moderate each influence of financial ratios, firm size, and ownership structure on firm value.

6. CONCLUSIONS

This study shows that there are several independent variables that do not affect the value of the company. The moderating variable in this study which is proxied to the Price earnings ratio (PER) is also not able to moderate each influence of the independent variable on the dependent variable. The PER proxy is seen as a particular indicator by investors in

deciding to buy or otherwise sell company shares. So that the proxy might result in bias as a signal that gives an overview of the overall condition of the company.

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