

The Effect of Capital Structure, Profitability and Intellectual Capital on Company Value in Manufacturing Companies



Ni Putu Yeni Astiti¹, I Gusti Ayu Imbayani²

^{1,2}Faculty of Economics and Business, Mahasaraswati University, Denpasar

ABSTRACT: Company value is a condition that has been achieved by a company as an illustration of public trust in the company after going through a process of activities for several years. The main goal of a company is to maximize the value of the company. And by increasing the value of the company, an achievement will be in accordance with the wishes of the owners, because with the increase in the value of the company, the welfare of the owners will also increase. listed on the Indonesia Stock Exchange from 2017-2019. Determination of the sample used is purposive sampling, The sample used for this study was 187 companies with manufacturing categories listed on the Indonesia Stock Exchange from 2017-2019. The research method used is a quantitative method. Where data analysis is done by using multiple linear regression method. Hypothesis testing is done by using the coefficient of determination. The results of the study show that Capital Structure, Profitability and Intellectual Capital have a significant influence on firm value.

KEYWORDS: Capital Structure, Profitability, Intellectual Capital, Firm Value

PRELIMINARY

The Indonesia Stock Exchange (IDX) is a government institution that acts as an exchange organizer where people carry out transactions and trade shares with various rules that have been set on the Indonesia Stock Exchange. Economic growth in Indonesia over time continues to grow. This development will always be a routine activity within the company in order to become a go public company.

Dewi and Wirajaya (2013), argue that the value of the company is very important because it reflects the company's performance which can affect investors' perceptions of the company. One of them is the view of the company's value for creditors. Firm value is the market value of a company's equity plus the market value of debt. Thus, the addition of the company's total equity to the company's debt can reflect the value of the company.

Funding decisions are very important for companies to carry out operating activities, when a company is built, the company will need optimal capital. Companies can choose various funding alternatives that will be considered to maximize the value of the company. The comparison between capital and equity will certainly be the basis of management in the formation of capital structure.

Companies that increase debt can be seen as companies that believe in the company's prospects in the future, so it is hoped that investors can catch this positive signal from the company. Anggraini (2015) in Dewi and Badjra (2013). Research on the effect of capital structure on firm value has been studied previously and there is a research gap, namely Cristy et al. (2018) states that capital structure has a positive effect on firm value. This statement is supported by previous studies, research from Dewi et.al (2014), and Chandra et al. (2018), on the other hand, research from Dewi and Badjra (2013) states that capital structure has a negative effect on firm value.

Trade off theory assumes that there are things that prevent companies from using as much debt as possible. The use of high debt will result in bankruptcy. Bankruptcy costs include the first legal fee, which is the fee that must be paid to legal experts to settle claims. The second is the distress price, where the company's assets are forced to be sold at a low price when the company is declared bankrupt. The use of debt is justified in the company if the use of leverage provides economic profitability that is greater than debt interest.

One indicator that is often seen by investors and is the main ratio is the profitability ratio. Brealey, Myers, and Marcus (2013) in Setiawati and Lim (2018) argue that shareholder value depends on good investment decisions and profitable business operations. Shareholders will be interested in investing in companies that perform well. The company's performance can be

The Effect of Capital Structure, Profitability and Intellectual Capital on Company Value in Manufacturing Companies

described through the company's ability to benefit from its business operations. From the profits achieved by the company, it can be trusted that the survival of a company in the future or survive at least one year in the future to maintain a going concern company.

Research on the effect of profitability on firm value has been carried out by several researchers and there is a research gap, namely Andhika and Retnani (2017) stating that profitability has a significant influence on firm value. Lumoly et.al.(2018) stated that profitability has a significant influence on firm value, this statement is supported by research from Setiawati and Lim (2018) that profitability has an effect on firm value, on the contrary research conducted by Kurniawati et.al (2019) stated that that profitability has no effect on firm value.

Human resources and knowledge have now formed added value and competitive advantage in modern companies and have become a new engine in the business world, nowadays many business people are aggressively emphasizing their intangible assets, in this case knowledge and the ability to increase company value. , so that the company is able to compete with its competitors and not only compete using the ownership of tangible assets so that the company can increase the value of the company, to increase the value of a company, the company needs to have value added (VA). This value added (VA) can be created by developing the intellectual capital of the company.

In Andhika and Retnani's research (2017). Intellectual capital is believed to play an important role in increasing company value and financial performance. Companies that are able to utilize their intellectual capital efficiently, the value of the company will increase. Research on the influence of Intellectual Capital on firm value has been carried out by several researchers and there is a research gap, namely Gozali and Hatane (2014) stating that intellectual capital affects firm value. This research is supported by Pambudi and Andayani (2017) intellectual capital affects firm value, On the other hand, research conducted by Widarjo (2011) shows that intellectual capital has no effect on firm value.

STUDY OF THEORY AND HYPOTHESES

Trade of Theory

Trade of theory was first introduced in 1963 by Modigliani and Miller in an American Economic Review article 53 (1963, June) entitled Corporate Income Taxes on the Cost of Capital: A Correction. According to the trade-off theory expressed by Myers (2001:81), "Companies will be in debt to a certain level of debt, where the tax shields from additional debt equal the cost of financial distress (financial distress).

Resource-Based Theory.

Resource-Based Theory (RBT) is a thought that developed in the theory of strategic management and company competitive advantage which believes that the company will achieve excellence if it has superior resources (Solikhah et al, 2010).

The Value of the Company

Company value is a condition that has been achieved by a company as an illustration of public trust in the company after going through a process of activities for several years, namely since the company was founded until now (Noerirawan 2012). The value of the company is determined by the value of its own capital and the value of debt. The value of the company is closely related to the company's ability to increase the prosperity of its shareholders. For companies that sell their shares to the public (go public), the indicator of company value is the price of shares traded on the stock exchange.

Capital Structure

Capital structure is equity and debt funding in a company. Meanwhile, according to Brigham and Houston (2011). The capital structure that shows the ratio between total debt to equity can be measured using the debt to equity ratio (DER). DER is a company's ability to pay debts with its capital and is closely related to the explanation of a capital structure whose data affect the company's funding policy that is appropriate and useful to maximize company value.

Profitability

Profitability is income minus expenses and losses during the reporting period. Analysis of profitability is very important for creditors and equity investors. For creditors, profit is a source of interest and principal payments. As for equity investors, profit is one of the determinants of changes in the value of securities. The most important thing for the company is how the profit can maximize shareholders, not how much profit the company generates.

Intellectual Capital

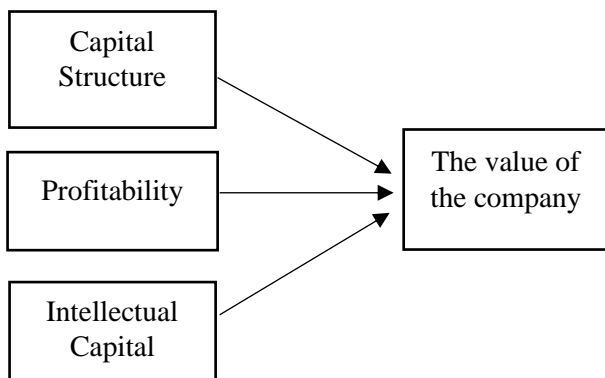
Intellectual capital is a resource in the form of knowledge available to the company, where this knowledge will become intellectual capital if it is created, maintained and managed properly. According to practitioners, intellectual mode consists of three main elements (Stewart, 1998; Sveiby, 1997; Saint-Onge). , 1996) Iranmahd et al. (2014) stated that intellectual capital has

The Effect of Capital Structure, Profitability and Intellectual Capital on Company Value in Manufacturing Companies

become an important part for companies. elements of intellectual capital can be divided into three categories, namely knowledge related to employees (human capital), knowledge related to company infrastructure and is a supporter of human capital (structural capital) and knowledge related to company partners (customer capital). These three categories form an intellectual capital for the company.

Currently efforts to determine the intellectual capital in a company is an important thing. The difficulty in intellectual capital is a measurement problem. The Pulic model measures intellectual capital not directly but by proposing a Value Added Intellectual Coefficient (VAIC™) to provide information about the efficiency of value creation from tangible and intangible assets in a company.

RESEARCH MODEL



Hypothesis

- H1: Capital structure has a positive effect on firm value
- H2: Profitability has a positive effect on firm value.
- H3: Intellectual Capital has a positive effect on firm value.

RESEARCH METHODS

Sampling Method

This research was conducted on manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2017-2019 period which were accessed through www.idx.co.id. The object studied in this study is the influence of capital structure, profitability and intellectual capital on the value of manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2017-2019. The research population is all companies with manufacturing categories listed on the Indonesia Stock Exchange in 2017-2019 with a total of 187 companies. The sample in this study amounted to 75 companies which were determined according to the criteria based on the purposive sampling method.

Multiple Linear Regression Analysis

The data analysis technique used is multiple linear regression analysis. This analysis is used to test the effect of two or more independent variables on the dependent variable. The dependent variable in this study is financial management, while the independent variables are financial literacy, hedonistic lifestyle, income. Data analysis was assisted by the SPSS program, The equations for testing the overall hypothesis in this study are as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + t$$

Information:

- Y = Company Value
- α = Constant
- X1 = Capital Structure
- X2 = Profitability
- X3 = Capital intellectual
- t = Error

RESULTS AND DISCUSSION

Multiple Linear Regression Analysis Results

Table 1. Multiple Linear Regression Analysis Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.231	.172		12.998	.000
	DER	.000	.001	-.028	-.438	.662
	ROE	.003	.001	.317	4.825	.000
	IC	1.86E-009	.000	.196	2.978	.003

Based on the values in Table 4.1, the multiple linear regression equation will be:

$$PBV = 2.231 + 0.000 X1 + 0.003 X2 + 0.0000000018 X3 + e$$

From these equations it can be concluded that:

The constant value of 2.231 states that if the capital structure (X1), profitability (X2) and intellectual capital (X3) are zero (0), then the firm value increases by 2.231. The regression coefficient of the capital structure variable (X1) is 0.000. It means that if the capital structure increases by one unit, the value of the company will increase by 0.000 units with the assumption that the other independent variables are constant. The profitability variable regression coefficient (X2) is 0.003. It means that when profitability increases by one unit, the value of the company will increase by 0.003 units assuming other independent variables are constant. The intellectual capital variable regression coefficient (X3) is 0.0000000018.

Classic Assumption Test Results

Normality test

The data normality test aims to test whether in the regression model the dependent variable and the independent variable both have a normal distribution or not. A good regression model is to have a normal or close to normal data distribution. Normality testing is done with the Kolmogorov-Smirnov One Sample Test, where the data is said to be normally distributed if the significance is greater than 0.05. From the results of the analysis using the SPSS version 22 For Windows program, the results of the Normality Test are obtained in Table 2 below:

Table 2. Normality Test Results

		Unstandardized Residual
N		211
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	2.37074833
Most Extreme Differences	Absolute	.212
	Positive	.212
	Negative	-.199
Kolmogorov-Smirnov Z		1.207
Asymp. Sig. (2-tailed)		.109

From Table 2 it can be seen that the Asymp.Sig value of each variable is 0.109 which is greater than 0.05, therefore it can be stated that the regression model is normally distributed.

Multicollinearity Test

The multicollinearity test aims to determine whether the regression model found a correlation between independent variables (Ghozali, 2016: 104). If the independent variables are correlated with each other, then there is a multicollinearity problem. To detect the presence or absence of multicollinearity in the regression model, it can be seen from the values of tolerance and variance inflation factor (VIF). If the tolerance value is more than 10 percent or the Variance Inflation Factory (VIF) is less than 10, it is said that there is no multicollinearity. Tolerance and VIF values can be seen in Table 3 as follows:

Table 3. Multicollinearity Test Results

Variable	Collinearity Statistics	
	Tolerance	VIF
DER	0.988	1.012
ROE	0.931	1.075
IC	0.927	1.079

In Table 3 it can be explained that the Tolerance value of the capital structure variable is 0.988, profitability is 0.931, intellectual capital is 0.927 which is greater than 0.10 and the Variance Inflation Factor (VIF) value of the capital structure variable is 1.012, profitability is 1.075, intellectual capital is 1.079 which is less than 10, so it can be concluded that the regression model does not occur multicollinearity.

Heteroscedasticity Test

Heteroscedasticity test aims to test whether in the regression model there is unequal variance from the residuals of one observation to another observation. If the variance of the residuals from one observation to another observation remains, it is called homoscedasticity and if there is a difference it is called heteroscedasticity. The regression model is said to be good if there is homoscedasticity or there is no heteroscedasticity. In this study, the heteroscedasticity test used the glejser test (Ghozali, 2016: 134). The Glejser test is carried out by making a regression model involving the absolute residual value, namely by regressing the absolute residual value with the independent variable. The provisions used if the significance value is greater than 0.05 then there is no heteroscedasticity, which means that the regression model does not contain any heteroscedasticity. The results of the heteroscedasticity test can be seen in table 4 as follows:

Table 4. Heteroscedasticity test results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.706	.121		14.148	.000
	DER	.000	.001	-.033	-.472	.637
	ROE	.000	.000	-.062	-.868	.387
	IC	2.57E-010	.000	.042	.584	.560

From Table 4 it can be explained that the significant value of the capital structure variable is 0.637, profitability is 0.387 and intellectual capital is 0.560 greater than 0.05, so it can be concluded that in the regression model there is no heteroscedasticity..

Coefficient of Determination

The coefficient of determination is used to measure the ability of variable X (independent variable) to influence variable Y (dependent). This test is intended to determine the best level of certainty in the regression analysis which is expressed by the coefficient of determination. The value of the coefficient of determination, namely $R^2 = 1$, means that the independent variable has a perfect effect on the dependent variable, and otherwise $R^2 = 0$ means that the independent variable has no effect on the dependent variable.

Based on the table, it can be explained that the Adjusted R Square value is 0.159 or 15.9%. This means that the variation of Y, namely firm value, can be explained by 15.9% by variables of capital structure, profitability and intellectual capital, while the remaining 84.1% is influenced by other factors not included in the model.

F Uji Test

The F statistical test is used to determine the effect of the independent variable simultaneously (simultaneously) on the dependent variable. Significant means that the relationship that occurs can apply to the population. The results of the F statistical test can be seen in the ANOVA table in the sig column. If the significance value is less than or equal to 0.05, then there is a jointly significant effect between the independent variables on the dependent variable (Ghozali, 2016: 99).

Based on the results of the F test in the table, it can be explained that the F value of 14.209 with a significant value of 0.000 is smaller than 0.05, this means that the capital structure, profitability and intellectual capital jointly affect the firm value variable.

The Effect of Capital Structure, Profitability and Intellectual Capital on Company Value in Manufacturing Companies

T Test

The t statistic test was used to partially test each variable. The results of the t test can be seen in the coefficients table in the sig (significance) column. If the probability of t value or significance 0.05, it can be said that there is an influence between the independent variables on the dependent variable partially. However, if the probability of t value or significance > 0.05, it can be said that there is no significant effect between each independent variable on the dependent variable.

Based on the results of the t statistical test, it can be explained as follows:

First Hypothesis Testing

The value of the capital structure variable shows a t value of -0.438 with a significance value of 0.662 greater than 0.05 and a beta coefficient value of 0.000, so the results of the research that capital structure has no effect on firm value, so the first hypothesis which states that capital structure has a positive effect on value company rejected.

Second Hypothesis Testing

The value of the profitability variable shows a t value of 4.825 with a significant value of 0.000 which is smaller than 0.05 so that the second hypothesis which states that profitability has a positive effect on firm value is accepted.

Third Hypothesis Testing

The value of the intellectual capital variable shows a t value of 2,978 with a significant value of 0.003 which is smaller than 0.05 so that the third hypothesis which states that intellectual capital has a positive effect on firm value is accepted.

DISCUSSION OF RESEARCH RESULTS

Effect of Capital Structure on Firm Value

The results showed that the capital structure has no effect on firm value in manufacturing companies, the higher the capital structure does not affect the increase in firm value. In this study the capital structure is proxied by DER (Debt to Equity Ratio). The results of this study indicate that the increase in firm value is not influenced by the high and low capital structure. So that investors will assume it is reasonable when a company has debt, as long as the company is able to balance the debt with the profits generated by the company. The results of this study are in line with the research of Oktrima (2017) and Utomo, et al. (2017), which states that capital structure has no effect on firm value.

The Effect of Profitability on Firm Value

The results show that profitability has a positive and significant effect on firm value in manufacturing companies. The higher the profitability of a company, the better the value of the company. Profitability is income minus expenses and losses during the reporting period. Analysis of profitability is very important for creditors and equity investors. For creditors, profit is a source of interest and principal payments. As for equity investors, profit is one of the determinants of changes in the value of securities. The most important thing for the company is how the profit can maximize shareholders, not how much profit the company generates. Dewi and Badjra (2013) earnings analysis will help companies to make decisions in the future or at the present time. Based on this, profitability has a very large influence for investors, so the company strives to maximize existing resources to achieve the profit targeted by the company in order to maximize shareholder prosperity. The results of this study are in line with research conducted by Andhika and Retnani (2017) which states that profitability has a positive effect on firm value. so that the company strives to maximize existing resources to achieve the profit targeted by the company in order to maximize shareholder prosperity. The results of this study are in line with research conducted by Andhika and Retnani (2017) which states that profitability has a positive effect on firm value. so that the company strives to maximize existing resources to achieve the profit targeted by the company in order to maximize shareholder prosperity. The results of this study are in line with research conducted by Andhika and Retnani (2017) which states that profitability has a positive effect on firm value.

The Effect of Intellectual Capital on Firm Value

The results show that intellectual capital has a positive and significant effect on firm value in manufacturing companies. The higher the intellectual capital of a company, the better the value of the company. Intellectual capital is a resource in the form of knowledge available to the company, where this knowledge will become intellectual capital if it is created, maintained and managed properly. According to practitioners, intellectual mode consists of three main elements (Stewart, 1998; Sveiby, 1997; Saint-Onge). , 1996) Iranmahd et al. (2014) stated that intellectual capital has become an important part for companies. Thus, the elements of intellectual capital can be divided into three categories, namely knowledge related to employees (human capital), knowledge related to the company's infrastructure and is a supporter of human capital (structural capital) as well as knowledge related to company partners (customer capital). These three categories form an intellectual capital for the company. In Andhika and Retnani's research (2017). Intellectual capital is believed to play an important role in increasing company value and financial performance. Companies that are able to utilize their intellectual capital efficiently, the value of the company will increase. The

The Effect of Capital Structure, Profitability and Intellectual Capital on Company Value in Manufacturing Companies

results of this study are in line with research conducted by Gozali and Hatane (2014) and Pambudi and Andayani (2017) which states that intellectual capital has a positive effect on firm value.

CONCLUSION

Based on the results of data analysis on the effect of capital structure, profitability and intellectual capital on firm value in manufacturing companies listed on the Indonesia Stock Exchange for the 2017-2019 period, it can be concluded that capital structure has no effect on firm value in manufacturing companies. This shows that the higher the capital structure does not affect the increase in firm value. Then profitability has a positive effect on firm value in manufacturing companies. This shows that the higher the profitability of a company, the better the value of the company. And intellectual capital has a positive effect on firm value in manufacturing companies.

SUGGESTION

Based on the limitations that have been stated above, here are some suggestions that can be given to the company, namely the company should improve the company's performance every year in order to be able to compete in gaining the trust of investors, making it easier to obtain capital from outside the company. The better the performance of the company, one of which can be reflected in the greater the value of ROE. So the company needs to increase the ROE value to gain the trust of investors

2. For researchers

The results of this study are expected to provide benefits in efforts to develop similar research and become a reference for future research and it is hoped that further research will sample types of companies such as mining companies, banking companies, LQ45.

3. For investors

Investors should pay attention to the value of ROE and DER before investing their capital in a company. Because the value of ROE and DER can show the amount of return and risk that will be received by investors for their investment.

REFERENCES

- 1) Agnes, Sawir. 2004. Funding Policy and Company Restructuring. Jakarta: Gramedia Pustaka Utama.
- 2) Analysis, Yangs. 2011. Effect of Firm Size, Leverage, Profitability and Dividend Policy on the value of company (Study on Company Registered Manufacturing in BEI2006-2008). Undergraduate Thesis faculty of Economics University Diponegoro
- 3) Ariyani, NKS, & Wirakusuma, MG (2018). The Effect of Intellectual Capital on The value of the company With Financial Performance as a Mediation Variable. *E-Journal of Accounting*, 464-496.
- 4) Brigham, EF and Joel, Houston. 2011. Fundamentals of Management Finance Translation. Edition 10. Jakarta: Sheet Four
- 5) Eka Lestari, Putu. 2010. Effect of Capital Structure and Managerial Ownership and Firm Size on Firm Value on Manufacturing Company on the Indonesia Stock Exchange. Thesis Faculty of Economics, Udayana University
- 6) Firrer, S., and Williams, SM 2003. Intellectual Capital and Traditional Measures of Corporate Performance. *Journal of Intellectual Capital*, 4(3), pp 348-360
- 7) Haosana, Ring. 2012. Effect of return on assets and Tobin's Q against Volume Stock Trading in Retail Companies which Listed on the Stock Exchange Indonesia. Hasanuddin University Thesis. Makassar Horne, James C. Van and John M. Wachowicz Jr. 2010. Fundament of Financial Management Management Principles Finance. Edition 12 Book 2. Jakarta: Salemba Four
- 8) Juwariyah, Esti Suhernanik. 2014. The Influence of Intellectual Capital on Value Companies through Financial Performance as an Intervening Variable. Thesis. Airlangga University, Surabaya
- 9) Myers, Stewart C. 2001. Capital Structure. In the Journal of Economic Perspective. *Spring*, 15(2): h: 81-102.
- 10) Noviyanto, Dwi. 2008. Effect of Profitability Ratios and Investor Ratios to Company Value of LQ45 Companies on the Exchange Effect Jakartayear 2005-2007. Thesis University Malang Country.
- 11) Nurmayasari, Andi. 2012. Analysis of the Effect of Profitability, Size Company, Leverage, and Dividend Policy on Value Company (Study Case on Company Manufacturing at BEI 2007-2010). Faculty Thesis University Economics Islam Indonesia, Yogyakarta.
- 12) Oka Kusumajaya, DK 2011. Effect of Capital Structure and Company Growth on Profitability and Value company on Company Manufacturing on the IDX. Thesis Master's Program, Program Studies Management, Postgraduate Program at Udayana University.

The Effect of Capital Structure, Profitability and Intellectual Capital on Company Value in Manufacturing Companies

- 13) Oktrima, B. (2017). Effect of Profitability, Liquidity, and Capital Structure on Firm Value. Open Journal. Pamulang University.
- 14) Pulic. 2004. Intellectual Capital: Does It Create or Destroy Value? Measuring Business Excellence. 8 (1) pp. 62-68
- 15) Rachmawati, Andri and Hanung Triatmoko. 2007. Factor Analysis- Factor which Affecting Profit Quality and Value Company. In Symposium *National Accounting X*, Makassar.
- 16) Safrida, Eli. 2008. Effect of Capital Structure and Growth Company on the Value of the Company to the Company Manufacturing at JSE. Thesis University Graduate School Sumatra North, Medan.
- 17) Sartono, Agus. 2010. Financial Management Theory and Applications. Edition to 4. Yogyakarta: BPFE.
- 18) Siallagan, Hamonangan and M. Machfoedz. 2006. Corporate Mechanism governance, Earnings Quality and Company Value. In Symposium *National Accounting IX*, Padang.
- 19) Solikhah, Badyingus, Abdul Rohman, and Wahyu Meiranto. 2010. Implications of Intellectual Capital on Financial Performance, Growth and Market Value; Empirical Study with Simplistic Specifications approach. Paper Presented in the XIII National Accounting Symposium. Purwokerto: 13-15 October
- 20) Suharli, Michelle. 2006. Empirical Study of Factors that Influence Company Value in Go Public Companies in Indonesia Indonesia. In *Journal Accounting Management*, 6(1): h: 23-24.
- 21) Sugiyono, 2014. Qualitative Research Methods and R&D, Alfabeta, Bandung.
- 22) Ulum, Ihyaul. 2007. The Influence of Intellectual Capital on Financial Performance Company Banking in Indonesia. Thesis. Master of Science Study Program Accounting. Diponegoro University
- 23) Utomo, NA, & Christy, NNA (2017, May). The Effect of Capital Structure, Profitability, Firm Size on Firm Value in Lq 45 Company in the Indonesia Stock Exchange. In proceedings (Vol. 1, No. 1).
- 24) Weston, J. Fred and Thomas Copeland. 1997. Financial Management Volume 1, Jakarta: Erlangga



There is an Open Access article, distributed under the term of the Creative Commons Attribution – Non Commercial 4.0 International (CC BY-NC 4.0) (<https://creativecommons.org/licenses/by-nc/4.0/>), which permits remixing, adapting and building upon the work for non-commercial use, provided the original work is properly cited.