

EFFECT OF CS, OM, IBC, AND CV ON COMPANY GROWTH WITH PROFITABILITY AS MODERATING VARIABLES

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Abstract

The purpose of this study was to examine the effect of capital structure, managerial ownership, independent board of commissioners and firm value on firm growth with profitability as a moderating variable used as an independent variable and capital structure (DER), managerial ownership (KM), independent board of commissioners (DKI), and firm value (PBV) and firm growth (AG) were used as dependent variables. And one moderating variable is profitability (ROA). The data used are financial reports and annual reports from 2015 to 2019. The sample in this study is manufacturing companies listed on the Indonesia Stock Exchange as many as 42 companies. The results of this study indicate that capital structure (DER), managerial ownership (KM), has a negative and significant effect on company growth (AG).

Keywords: Covid-19, Capital Structure, Managerial Ownership, Independent Board Of Commissioners, Firm Value, Firm Growth And Profitability

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INTRODUCTION

In 2019, the corona virus (Covid-19) was rampant in Wuhan, China. In Indonesia itself, the first case of Covid-19 was on March 2, 2020. The Covid-19 pandemic attacked various sectors, one of which caused many company shares to plummet. Based on data from the Indonesia Stock Exchange, there are several companies that experienced a decline in share prices, including PT Semen Baturaja (Persero) Tbk, experiencing a decline in share prices, which was originally the share price of Rp 318 per share at the end of June the share price decreased to Rp 312 per share. Followed by PT Tirta Mahakam Resources Tbk, which initially had its share price of Rp 5,900 per share, decreasing to Rp 5,550 per share, and PT Charoen Pokphand Indonesia Tbk, noting that the previous share price was Rp 5,800 per share to Rp 5,525 per share[1][2][3][4].

This is certainly not profitable for the company and for investors. This Covid-19 also makes economic movements slow which results in a decrease in people's income, thus it is possible for investors to be more selective in choosing companies as a place to invest[5][6].

In early 2021, the manufacturing industry in Indonesia began to show positive progress. This is evidenced by the Manufacturing Purchasing Managers Index (PMI) in December 2020 which was recorded at the level of 51.3, an increase compared to the previous month's achievement which was in the position of 50.6. The increase in the index was supported by the growth of new orders, which refers to a solid expansion in output. Manufacturing industry is projected to grow 3.95% in 2021[7][8].

The company's growth is how far the company puts itself in the overall economic system and the economic system for the same industry. Company growth is a change (decrease/increase) in total assets owned by the company[9]. The company's growth is measured by using the difference between the total assets owned by the company in the current period and the previous period to the total assets of the previous period. The company's growth reflects the growth of resources in the form of assets owned by the company as measured by the difference in the value of total assets each year. The assets of a company are assets used for the company's operational activities, it is expected to increase the company's operational results so that it will increase the trust of outsiders. The company's growth can provide a positive signal that is expected by parties inside and outside the company[10]. That the growth of a company is expected by many parties, both internal and external, because good growth indicates that the company is growing. The company's growth is also a sign that the company has a profitable aspect, because it is considered capable of producing better aspects from time to time[11][12].

RESEARCH METHODS

The sample in this study were 42 of the 184 companies listed on the Indonesia Stock Exchange that submitted annual reports in 2015-2019. The research framework is as follows.



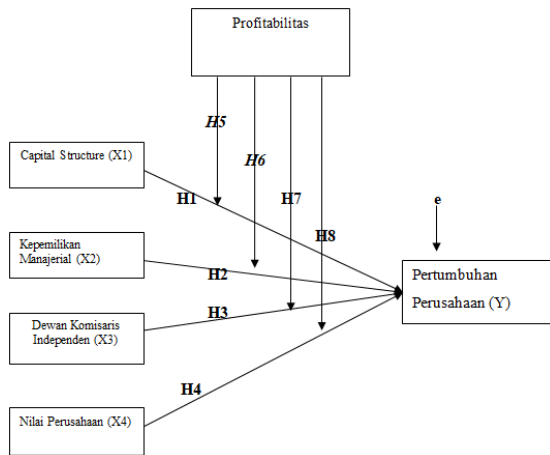


Figure 1. Research Framework

RESULTS AND DISCUSSION

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DER	-0,397	0,185	-2,143	0,033
KM	0,002	0,005	0,395	0,692
DKI	-20,550	18,458	-1,113	0,267
PBV	-0,677	0,256	-2,644	0,009
C	25,083	7,550	3,321	0,001

Figure 2. Fixed Effect Estimation

- The value of constant a is 25,083. This means that if the variables DER, KM, DKI and PBV in the i observation and t period are ignored or are zero (0) then the AG is equal to 25,083.
- The coefficient value is $\beta_1 - 0.397$ it means that if the DER in the i observation and t period increases by one (1) unit, then AG decreases by 0.397 assuming the variables KM, DKI and PBV are ignored or are zero (0).
- The coefficient value is $\beta_2 0.002$ it means that if the value of KM in the i observation and t period decreases by one (1) unit, then AG increases by 0.002 assuming that the

variables DER, DKI and PBV are ignored or are zero (0).

- The coefficient value is $\beta_3 - 20,550$ it means that if the value of DKI in the i th observation and t period increases by one (1) unit, then AG decreases by 20,550 assuming the variables DER, KM and PBV are ignored or are zero (0).
- The coefficient value is $\beta_3 - 0.677$ it means that if the PBV value in the i observation and t period increases by one (1) unit, then AG decreases by 0.677 assuming that the variables DER, KM and DKI are ignored or are zero (0).

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DER	-0,412	0,083	-4,928	0,000
KM	0,004	0,004	1,018	0,310
DKI	-14,615	17,087	-0,855	0,394
PBV	-0,686	0,067	-10,137	0,000
DER*ROA	0,010	0,036	0,271	0,787
KM*ROA	-0,001	0,001	-0,775	0,439
DKI*ROA	-0,700	0,719	-0,973	0,332
PBV*ROA	0,009	0,021	0,454	0,650
C	24,458	7,132	3,429	0,001

Figure 3. Fixed Effect Estimation (2)

- The value of constant a is 24,458 meaning that if the variables DER, KM, DKI, PBV and DER*ROA, KM*ROA, DKI*ROA and PBV*ROA on the i observation and t period is ignored or is zero (0) then AG is 24,458.
- The coefficient value is $\beta_1 - 0.412$ This means that if the DER in the i and t observations increases by one (1) unit, then the AG decreases by 0.412 assuming the variables KM, DKI, PBV, DER*ROA, KM*ROA, DKI*ROA and PBV*ROA ignored or is zero (0).





- c. The coefficient value is β_2 0.004. This means that if the KM value in the i observation and t period increases by one (1) unit, then AG increases by 0.004 assuming the variables DER, DKI, PBV and DER*ROA, KM*ROA, DKI*ROA and PBV*ROA ignored or is zero (0).
- d. The coefficient value is β_3 -14,615. It means that if the value of DKI in the observation and t period increases by one (1) unit, then AG decreases by 14.615 assuming the variables DER, KM, PBV and DER*ROA, KM*ROA, DKI*ROA and PBV*ROA ignored or zero (0).
- e. The coefficient value is β_4 -0.686. It means that if the PBV value in the i observation and t period increases by one (1) unit, then AG decreases by 0.686 assuming the variables DER, KM, DKI, and DER*ROA, KM*ROA, DKI*ROA and PBV*ROA ignored or is zero (0).
- f. The coefficient value is β_5 0.010. This means that if the value of DER*ROA in the i and t observations increases by one (1) unit, then AG increases by 0.010 assuming the variables DER, KM, DKI, PBV and KM*ROA, DKI*ROA and PBV*ROA ignored or is zero (0).
- g. The coefficient value is β_6 -0.001. This means that if the value of KM*ROA in the i and t observations increases by one (1) unit, then AG decreases by -0.001 assuming the variables DER, KM, DKI, PBV and DER*ROA, DKI*ROA and PBV*ROA ignored or is zero (0).
- h. The coefficient value is β_6 -0.700. It means that if the value of DKI*ROA in the i th observation and t period increases by one (1) unit, then AG decreases by 0.700 assuming the variables DER, KM, DKI, PBV and DER*ROA, KM*ROA and PBV*ROA ignored or is zero (0).
- i. The coefficient value is β_6 0.009. It means if the value of PBV*ROA in the i th observation and t period increases by one (1) unit, then AG increases by 0.009 assuming that the variables DER, KM, DKI, PBV and DER*ROA, KM*ROA and DKI*ROA are ignored or are zero (0).

Results of Partial Hypothesis Testing (t-test)

The t test is used to partially test the effect of the independent variable on dependent variable and moderating variables. This test is carried out with the following conditions:

1. If the probability t count < 0.05, then H_0 is rejected and H_a is accepted.
2. If the probability t count > 0.05, then H_0 is accepted and H_a is rejected.

Based on tables 2 and 3 show Effect of Capital Structure, Managerial Ownership, Independent Board of Commissioners, and Company Value on Company Growth With Profitability as Moderating Variable can be tested as follows:

- (1) Effect of Capital Structure (DER) on Company Growth (AG).
The first hypothesis in this study is Capital Structure significant effect on





the Company's Performance. From table 4.10 it can be seen that the variable Capital Structure has a sig value of $0.033 < 0.05$, where the coefficient (β) is -0.397 . This shows that the variable Capital Structure has a negative and significant effect on the Company's Growth. Thus the first hypothesis is accepted. H_0 is rejected and H_a is accepted.

(2) Effect of Managerial Ownership (KM) on Company Growth (AG).

The second hypothesis in this study is Managerial ownership has a significant effect on Growth Company. From table 4.10 it can be seen that the variable Managerial ownership has a sig value of $0.692 > 0.05$ where the coefficient (β) is 0.002 . This shows that the variable Managerial ownership has no significant positive effect on the Company's Growth. Thus the second hypothesis is rejected. H_0 is accepted and H_a is rejected.

(3) The Influence of the Independent Board of Commissioners (DKI) on Company Growth (AG).

The third hypothesis in this study is Independent Board of Commissioners has a significant effect on Growth Company. From table 4.10 it can be seen that the variable Independent Board of Commissioners has a sig value of $0.267 > 0.05$ where the coefficient (β) is $-20,550$. This shows that the variable Independent Board of Commissioners has a negative and insignificant effect on Growth Company. Thus the third hypothesis is rejected. H_0 is accepted and H_a is rejected.

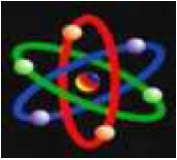
(4) Effect of Firm Value (PBV) on Company Growth (AG).

The fourth hypothesis in this study is The value of the company has a significant effect on Growth Company. From table 4.10 it can be seen that the variable The value of the company has a sig value of $0.009 < 0.05$, where the coefficient (β) is -0.677 . This shows that the variable The value of the company has a negative and significant effect on Growth Company. Thus the fourth hypothesis is accepted. H_0 is rejected and H_a is accepted.

(5) The Effect of Profitability in Moderating Capital Structure Relationships on Company Growth Result analysis shows that the capital structure with profitability as a moderating variable has a regression coefficient value of 0.010 and the t statistic is 0.271 with a probability value of $0.787 > 0.05$. So it can be concluded that the profitability variable as a moderating variable partially has a positive and insignificant effect in moderating and strengthening the relationship between capital structure and company growth in manufacturing companies listed on the Indonesia Stock Exchange. So H_0 is accepted and H_a is rejected.

(6) The Effect of Profitability in Moderating Managerial Ownership Relationships on Company Growth Result analysis shows that managerial ownership (KM) with profitability as a moderating variable has a regression coefficient of -0.001 and the t statistic is -0.775 with a probability value of $0.439 > 0.05$. So it can be concluded that the profitability variable as a moderating variable partially has no significant negative effect in moderating and strengthening the





relationship between managerial ownership and company growth in manufacturing companies listed on the Indonesia Stock Exchange. H_0 is accepted and H_a is rejected.

- (7) The Effect of Profitability in Moderating the Relationship of the Independent Board of Commissioners to the Company's Growth Result analysis shows that the independent board of commissioners with profitability as a moderating variable has a regression coefficient value of -0.700 and the t statistic is -0.973 with a probability value of $0.332 > 0.05$. So it can be concluded that the profitability variable as a moderating variable partially has no significant negative effect in moderating and strengthening the relationship of the independent board of commissioners to company growth in manufacturing companies listed on the Indonesia Stock Exchange. H_0 is accepted and H_a is rejected.
- (8) The Effect of Profitability in Moderating the Relationship of Firm Value to Company Growth

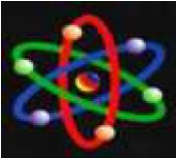
Result analysis shows that the value of the company with profitability as a moderating variable has a regression coefficient value of 0.009 and the t statistic is 0.454 with a probability value of $0.650 > 0.05$. It can be concluded that the profitability variable as a moderating variable partially has a positive and insignificant effect in moderating and strengthening the relationship between firm value and firm growth in manufacturing companies listed on the

Indonesia Stock Exchange. H_0 is accepted and H_a is rejected.

CONCLUSION

- a. *Capital structures* significant effect on company growth because the probability value is $0.033 < 0.05$ in manufacturing companies listed on the Indonesia Stock Exchange in 2015-2019.
- b. Managerial ownership has no significant effect to company growth because the probability value is $0.692 > 0.05$ in manufacturing companies listed on the Indonesia Stock Exchange in 2015-2019.
- c. Independent board of commissioners does not have a significant effect on company growth because the probability value is $0.267 > 0.05$ in manufacturing companies listed on the Indonesia Stock Exchange in 2015-2019.
- d. The value of the company has a significant effect on company growth because the probability value is $0.009 < 0.05$ in manufacturing companies listed on the Indonesia Stock Exchange in 2015-2019.
- e. Profitability has no significant effect in moderating and only weakens the relationship between capital structure and company growth because the probability value is $0.787 > 0.05$ in manufacturing companies listed on the Indonesia Stock Exchange in 2015-2019.





- f. Profitability has no significant effect in moderating and only weakens the relationship between managerial ownership and growth because the probability value is $0.439 > 0.05$ in manufacturing companies listed on the Indonesia Stock Exchange in 2015-2019.
- g. Profitability has no significant effect in moderating and only weakens the relationship between independent commissioners and company growth because the probability value is $0.332 > 0.05$ in manufacturing companies listed on the Indonesia Stock Exchange in 2015-2019.
- h. Profitability has no significant effect in moderating and only weakens the relationship between firm value and firm growth because the probability value is $0.650 > 0.05$ in manufacturing companies listed on the Indonesia Stock Exchange in 2015-2019.

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