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The Influence Of Capital Structure And Financial Performance On Company Value In Registered Banking Companies On The Indonesian Stock Exchange

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ABSTRACT
The aim of this research is to determine the influence of capital structure and financial performance on banking companies listed on the Indonesia Stock Exchange in 2020-2022. The design of this research is an associative approach. The population in this study was 46 banking companies listed on the Indonesia Stock Exchange in 2020-2022 with a sampling technique using the proportional sampling method, so that the sample obtained was 31 companies with a research period of 3 years so that the total observation data amounted to 93 company financial report data. banks listed on the Indonesian Stock Exchange in 2020-2022. The data analysis method uses multiple linear regression analysis. The research results show that partially capital structure has a negative and significant effect on company value, financial performance has a positive and significant effect on company value, and simultaneously capital structure and financial performance have a positive and significant effect on company value.

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INTRODUCTION

Company value is a description of the quality and performance of a company. A company can be said to have good value if the company's performance is also good. According to Awaliyah & Safriliana (2017) company value can also be defined as the price paid by the buyer of the company if the company is sold. So it can be said that a company value can influence the company's share price. The higher the share price of a company, the higher the company value. Company value can also be linked to market value because market value can indicate prosperity for shareholders (Rivandi & Septiano, 2021).

The first phenomenon from this research can be seen in stock prices, since the Covid-19 outbreak in Indonesia caused the capital market to weaken and this resulted in an immediate decline in stock prices. The majority of banking share prices finished in the red zone. Due to President Joko Widodo's statement asking national banks to reduce credit interest, this triggered a decline in banking share prices. As happened, PT Bank Permata's shares fell 12.32% to Rp. 1,210 per share unit, followed by PT Bank Pembangunan West Java and Banten which fell 9.29% to Rp. 1,660 per share unit. Book IV share prices also experienced a decline in share prices. This happened to PT Bank Rakyat Indonesia (BRI) which experienced a decline of 3.85%, PT Bank Cimb Niaga fell 1.55%, PT Bank Pan Indonesia fell 0.75% and PT Bank Central Asia (BCA) fell 0.16%.

The first factor that can influenceCompany value is capital structure. According to Marlina & Sugianto (2020) capital structure is how a company manages the composition of debt and equity in funding activities. its operations. A good capital structure can have a good impact on the company and will indirectly increase the value of the company. Mistakes made in determining the capital structure will result in the company getting a lot of debt. The company will increase the financial risk caused by debt payments that do not meet the maturity date, and this will indirectly have an impact on decreasing the value of the company (Dewi & Sudiartha, 2017).

The decline in company value is also influenced by the company's financial performance. According to Winata (2012) financial performance is the achievements achieved by a company in a certain period which reflects the company's health level and the company's ability to manage and allocate its resources. Financial performance includes the company's ability to fulfill financial obligations, generate net profits, and optimize the use of assets. Good or bad company performance depends on the company's financial performance itself. Worsening financial performance can result in fewer consumers and investors wanting to work with the company (Fahmi, 2015).

The aim of this research is to determine the influence of capital structure and financial performance on company value in banking companies listed on the BEI in 2020-2022. To determine the partial influence of capital structure and financial performance on company value. Researchers are interested in using this title because company value is a very important factor and investors must pay attention to it when making investments because company value reflects company performance which can influence investors' perceptions of the company. Company value is a measure of the success of company management in past operations and future prospects to convince shareholders. A company can be said to have good value if the company's performance is also good.

Literature Review

Signal Theory (Signalling Theory)

According to Brigham & Houston (2016), a signal is something done by company management with the aim of providing guidance to shareholders. This signal can be in the form of how management manages the company, as well as looking at the company's prospects in the future. Signals are given by the company in the form of financial report information that shows the company's financial performance. Whether or not the information provided will provide a positive or negative signal relating to the company's corporate value. If the information provided is a positive signal, then the company value will increase. On the other hand, if the information provided is a negative signal, the company value will decrease (Ratnasari et al., 2017).

Company Value

According to Husa (2018) company value is the price investors are willing to pay if the company is sold. Company value is very important because it reflects company performance and can influence investors' views of the company. A high company value is the desire of company owners because a high value shows that shareholder prosperity is also high. The company value formed through stock market value indicators is strongly influenced by investment opportunities. The existence of investment opportunities can provide a positive signal about the company's growth in the future, so that it can increase the company's value (Hermuningsih, 2012).

Capital Structure

Capital structure is a policy made by a company in considering the optimal composition of the company's capital. This can be seen in company decisions regarding the funding composition chosen by the company. Managers can use debt as a more reliable signal to investors. This is because companies that raise debt can be seen as companies that are confident about the company's prospects in the future. So the use of debt is a positive sign or signal from the company which can make investors appreciate the value of shares greater than the value recorded in the company, so that the company's Price to Book Value (PBV) is high and the company value is also high (Ayem & Nugroho, 2016) .

Financial performance

Financial performance is an achievement achieved by a company in a certain period which reflects the company's health level and the company's ability to manage and allocate its resources. Financial performance is an analysis carried out to see the extent to which a company has implemented financial implementation rules properly and correctly (Fahmi, 2015).

The Influence of Capital Structure (Long term Debt to Equity Ratio) on Company Value

According to Handayani (2023) capital structure is a balance between debt and capital owned by the company. Optimal capital structure will directly affect company value. Long Term Debt to Equity Ratio (LtDER) is used to assess long-term debt against own capital.

In accordance with signaling theory, the greater the LtDER value indicates that the business capital structure uses more debt relative to equity. The higher the LtDER reflects the company's relatively high risk, resulting in investors tending to avoid stocks that have a high LtDER. Investors tend to dislike companies with a high level of risk. This means that investors have a bad view of the company, which reduces the share price and will reduce the company value as well

H1: Capital Structure has a Negative and Significant Influence on Company Value

The company's financial performance is the basis for assessing the company's financial condition which is carried out based on analysis of financial ratios. According to Sartono (2015) Return on equity measures a company's ability to earn profits using the capital it owns. If the value of return on assets is higher, the higher the profit generated by a company.

The positive relationship between ROE and company value shows that the higher the company's ability to generate profits, the company value will increase. The higher the company's ability to generate profits by utilizing its resources, it shows the success of company management in carrying out operational activities. This gives a signalpositive for investors because investors assume that companies that have large profits will also produce large returns (Suranto et al., 2017).

H2: Financial Performance has a Positive and Significant Influence on Company Value

Company value shows the present value of expected future earnings, but is also a tool that the market uses to assess the company as a whole (Kusumadilaga, 2010). Capital structure and financial performance affect company value. This capital structure is measured using the Long Term Debt to Equity Ratio (LtDER). According to Sudana (2011) Long term debt equity ratio is a ratio used to assess long term debt with own capital. Long-term debt can reduce a company's cost of capital because the cost of debt can increase company profits due to a reduction in corporate taxes.

Financial performance is measured through Return on Equity (ROE), which is a measure of how effective a company is in generating profits using the capital it has. The positive relationship between ROE and company value shows that the greater the company's ability to generate profits, the higher the company value. Hamidy (2014) states that capital structure has a positive and significant impact on business value. This suggests that increasing debt will increase the company's share price, increasing its value. H3: Capital Structure and Financial Performance Simultaneously Have a Positive and Significant Influence on Company Value.

METHODOLOGY

The design approach used in this research is quantitative research with a quasi-associative approach. Quantitatively, in this research, numbers and analysis are used in accordance with the statistical methods that will be used. The quasi-associative approach is an approach that uses two or more variables to see the relationship between one variable and another. The dependent variable used is company value and the independent variables used are capital structure and financial performance.

The population in this research is all financial reports of banking companies listed on the Indonesia Stock Exchange for 2020-2022, totaling 46 banking companies. The technique used to collect sample data in this research was purposive sampling, namely taking samples according to certain criteria. The sample in this study was based on the following criteria:

1. Banking companies listed on the Indonesian Stock Exchange in 2020-2022.
2. Banking companies that publish financial reports regularly during the 2020-2022 research period
3. Banking companies that earn profits in 2020-2022

The indicator used to measure company value is Price to Book Value (PBV). This ratio shows how much the company's share price compares with the profits obtained from shareholders. According to Ross et al., (2015) PBV can be formulated as follows:

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$$PBV = \frac{Price\ per\ share}{Book\ value\ per\ share}$$

This capital structure is measured using the Long Term Debt to Equity Ratio (LtDR). According to Sudana (2011:21) Long Term Debt to Equity Ratio is a comparison between long-term debt and own capital. This ratio shows how much of each rupiah of own capital is used as collateral for long-term debt. According to Sudana (2011) the formula for calculating long term debt to equity is as follows:

$$LtDER = \frac{Long\ term\ debt}{total\ equity}$$

Financial performance is measured using Return On Equity (ROE). This ratio aims to find out and measure the rate of return on own capital from shares invested in the company through profits or opinions generated by the company. According to Kasmir (2016) to measure Return On Equity (ROE) the following formula can be used:

$$ROE = \frac{Profit\ after\ tax}{Total\ equity}$$

RESULT AND DISCUSSION

Normality Test

Table 1. One Sample Kolmogorov Smirnov Test

One-Sample Kolmogorov-Smirnov Test		
		Company Value
N		93
Normal Parameters[a, b]	Mean	,0000000
	Std. Deviation	,08588409
Most Extreme Differences	Absolute	,076
	Positive	,076
	negative	-,032
Statistical Tests		,076
Asymp. Sig. (2-tailed)		,200[c]

Based on the table above, it can be seen that the significance value is 0.200. A significance value that exceeds 0.05 indicates that H1 is accepted, so it can be concluded that the data is normally distributed.

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Multicollinearity Test

Table 2. Multicollinearity Test Results

Coefficients a			
		Statistical Colinaeratity	
Model		Tolerance	VIF
1	(Costant)		
	Capital Structure	,986	1,014
	Financial performance	,986	1,014

Source: 2024 SPSS Data Processing Results

Table 2 above shows the value for each correlation between capital structure (X1) and financial performance (X2). An indication of multicollinearity is if the tolerance value is < 10 percent and the VIF value is > 10 (Ghozali, 2018), then if you look at the research results above there is no correlation between the independent variables (capital structure and financial performance) which have a tolerance value > 10 and a VIF value < 10 so it can be concluded that there is no multicollinearity between independent variables.

Heteroscedasticity Test

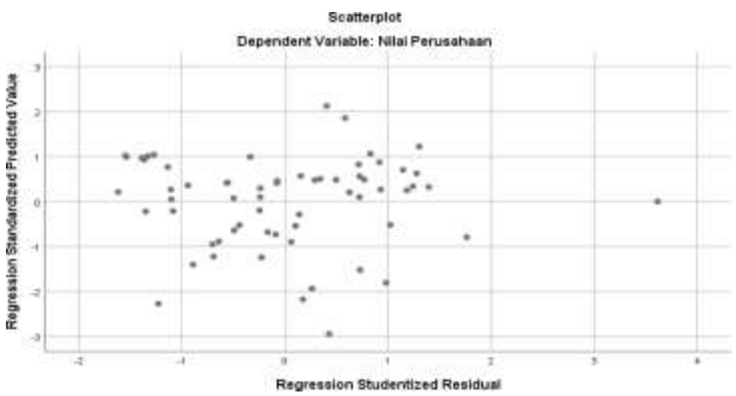

Figure 1. Scatter plot
Source: 2024 SPSS Data Processing Results

The picture above shows that there is no clear pattern and the points spread above and below the number 0 on the Y axis. Thus, it can be said that heteroscedasticity does not occur.

Table 3. Autocorrelation Test Results

Model Summary					
Model	R	R Square	Adjusted RSquare	Std. Error of the Estimate	Durbin-Watson
1	,821a	,512	,509	,90354	1,741

From the statistical results above, it can be concluded that the Durbin-Watson statistical value is 1.741. So the result is 1.7066 < 1.741 < 2.2934, so there is no positive or negative autocorrelation, the decision is accepted.

Multiple Linear Regression Analysis

Table 4. Results of multiple linear regression analysis

Model		Coefficients a Unstandardized Coefficients B	Std. Error
1	(Costant)	,831	,343
	Capital Structure	-,298	,146
	Financial performance	,005	,002

The multiple linear regression model is as follows:

$$Y = 0.831 – 0.298X1 + 0.146X2$$

Information :
Y= Company value
X1 = Capital
Structure X2 = Financial Performance

From this equation it can be explained that:

a. The resulting constant value based on the results of the multiple linear regression test is 0.831. This value means that all capital structure and financial performance is 0, so the company value is 0.831.
b. The capital structure regression coefficient value obtained is -0.298 which indicates a negative relationship. This can be interpreted as if every capital structure variable increases by one unit, the company value will decrease by -0.298.
c. The financial performance regression coefficient value obtained is equal to0.146 which shows a positive relationship. This can be interpreted as if every financial performance variable increases by one unit, the company value will increase by0.146.

Hypothesis Testing

Partial Test (t Test)

Table 5. Hypothesis Test Results

Model	Coefficients a	Statistical Colinaeratity Q	Sig.
1	(Costant)	2,423	,017
	Capital structure	-2,041	,044
	Financial performance	2,222	,029

From the results of Table 4 above, the following conclusions can be drawn from the t statistical test:

1. The capital structure variable has a calculated t value of -2.041 which is smaller than

the t table of 1.66196 (-2.408 < 1.66196) and a significant value of 0.044 which is smaller than 0.05 (0.685 < 0.05), so it can be concluded that H1accepted, which meansCapital structure has a negative and significant effect on company value.

2. The financial performance variable has a calculated t value of 2.222 which is greater than the t table of 1.66196 (2.222 > 1.66196) and a significant value of 0.029 which is smaller than 0.05 (0.029 < 0.05), so it can be concluded that H2accepted, which meansFinancial performance has a positive and significant effect on company value.

Simultaneous Test (F Test)

Table 6. F Test Results

	ANOVA[a]				
Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	271,537	2	135,769	5,159	,008[b]
Residual	3744,315	90	41,603		
Total	4015,852	92			

Based on the results of data management with SPSS 25, the F value is knownThe calculation is 5.159 > Ftable 3.10 or a significance value of 0.008 < 0.05 so that H1 is accepted. This shows that capital structure and financial performance simultaneously have a positive and significant effect on the value of companies listed on the IDX for the 2020-2022 period.

The Influence of Capital Structure on Company Value

The research results show that the capital structure variable has a negative and significant effect on company value so that H1 is accepted. The t value of -2.041 also shows that capital structure has a negative influence on company value and the significant value of 0.044 is smaller than 0.05 (0.044 < 0.05). Indicates that the significance level is above 0.050. This is due to the use of more debt than own capital which results in a decline in the company's value.

From the results of panel data regression testing output on banking during 2020-2022, it shows that high use of debt is considered a negative signal for investors. The use of debt in a company's capital structure can reduce the value of the company because from an investor's perspective, excessive use of debt can make it difficult for the company to pay off debt. If LtDER is high, it means the company is unable to manage its debt in order to gain profits and is unable to pay off its debt or obligations in the long term. Companies that have high debt are also threatened with bankruptcy. Apart from that, investors are also worried about companies that have high debt because investors when investing their capital want to get a return from the shares they have purchased, so investors tend to invest their capital in companies that have an optimal capital structure, namely companies that can consider the composition of debt and capital. itself (Ramdhonah et al., 2019).

The results of this research are in line with research conducted by Ainiyah & Sinta (2019), Widyantari and Yadnya (2017) which stated that capital structure has a negative and significant effect on company value in banking companies listed on the IDX. However, the results of this study do not support previous research conducted in Indonesia, including by Madani et al. (2019) and Widyaningsih & Hartono (2017) who stated that capital structure has a positive and significant effect on company value.

The results of multiple linear regression testing show that the financial performance variable has a positive and significant effect on company value. Thus the second hypothesis (H2) is accepted, which states that financial performance has a positive effect on company value. This is proven by the results of the hypothesis test which shows a t value of 2.222 and a significant value of 0.029 which is smaller than 0.05 (0.029 < 0.05). The results obtained for this hypothesis are positive and statistically significant. This means that the higher the ROE ratio, the more it increasescompany value.

The positive relationship between financial performance and company value shows that the higher the company's ability to generate profits, the company value will increase. The higher the company's ability to generate profits by utilizing its resources, it shows the success of company management in carrying out operational activities.

This is in accordance with signaling theory which argues that companies that can provide good performance can provide positive signals to investors. Apart from that, an increase in company profits can also provide a positive signal to investors because it can provide projections of the company's financial future in a better direction. Apart from that, the disclosure of information in the financial reports provided by the company to investors can also provide a positive signal not only to investors, but also to creditors and interested parties.

The results of this research are in line with research conducted by Suranto et al (2017) which examined banking companies listed on the Indonesia Stock Exchange which stated that financial performance as measured by Return On Equity (ROE) had a positive and significant effect on company value. However, the results of this research do not support previous research conducted by Masril & Jefriyanto (2021), Handayani et al (2023) which stated that financial performance has a negative and significant effect on company value in banking companies listed on the IDX.

The Influence of Capital Structure and Financial Performance on Company Value

The third hypothesis (H3) this research shows that simultaneously capital structure and financial performance have a positive and significant effect on company value. The value of Fcount is 5.159 > Ftable 3.10 with a significance value of 0.008 < 0.05 so that Ho is rejected or H3 is accepted. This shows that capital structure and financial performance simultaneously have a positive and significant effect on company value in banking companies listed on the IDX for the 2020-2022 period.

This shows that capital structure has an important role in increasing the value of the company in the eyes of investors. If the company's capital structure is good and optimal, it can be said that the capital structure affects the value of the company as well as financial performance. If the financial performance is better, the company's financial performance will be better. The value of the company in the eyes of investors is in line with research

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conducted by Husna (2018) which states that simultaneously capital structure and financial performance influence company value because both of these influence the company's profit generation. Companies that have a high debt ratio have the opportunity to gain high profits commensurate with the risk. Likewise, when a company has high financial performance, it will affect the level of investor confidence because the funds they invest are managed well and effectively.

CONCLUSIONS

Capital structure partially has a negative and significant effect on company value. In research, capital structure shows that statistically it has a negative and significant effect on company value. This is due to the use of more debt than own capital which results in a decrease in company value. PerformanceFinance has a positive and significant effect on company value. Financial performance results statistically show a positive and significant effect on company value. Financial performance is used to show the company's ability to generate profits, while company value is the level of success of the company which is depicted in the share price. A company that has a high level of financial performance means that more profits are distributed so that the company value is expected to be higher. Capital structure and performanceFinance has a positive and significant effect on company value in banking companies listed on the Indonesia Stock Exchange in 2020-2022. If the company carries out additional debt to expand its business, it will increase the value of the company. On the other hand, if the use of debt is less effective, it will reduce the value of the company. The increase in company value due to the increase in the amount of debt is caused by company management using this debt for business expansion of the company.

SUGGESTION

The value of capital structure in using debt should be for companies to be advised to use debt and manage assets as well as possible so that tax savings from using debt can provide benefits to the company and are expected to increase company value. This can be done by determining the optimal capital structure by minimizing the company's capital costs. The variable measurements used in this research are LtDER for capital structure, PBV for company value and ROE for financial performance. Future researchers are expected to be able to use other ratios, for example adding Good Corporate Governance (GCG) variables, company size, dividend policy, leverage level and Corporate Social Responsibility (CSR). Since this research was only conducted on banking companies, it is hoped that further research can expand the research subject, not only to banking companies, but also to food and beverage companies, such as other manufacturing industries and service industries so that the results can be generalized to all types of industry. Apart from that, it is hoped that further research will develop other factors that can influence company value.

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