

DETERMINANTS OF FIRM VALUE: EMPIRICAL EVIDENCE FROM THE PRIMARY CONSUMER GOODS SECTOR COMPANIES

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Abstrak

Keputusan investor untuk berinvestasi di suatu perusahaan sebagian dipengaruhi oleh nilai perusahaan. Investor akan semakin tertarik pada perusahaan yang dapat menghasilkan laba berkelanjutan, yang pada akhirnya akan menimbulkan nilai perusahaan. Penelitian ini bermaksud untuk menganalisis pengaruh modal intelektual, profitabilitas, leverage, dan perputaran aset terhadap nilai perusahaan, dengan menggunakan sampel perusahaan yang dikutip di Bursa Efek Indonesia pada sektor produk konsumen primer antara tahun 2017 dan 2021. Dengan menggunakan metode purposive sampling, 61 perusahaan dipilih sebagai sampel. Dengan pengamatan selama 5 tahun menghasilkan sebanyak 305 data observasi. Analisis regresi linier berganda diterapkan pada data sekunder yang diambil dari rekening keuangan organisasi yang dipilih. Hubungan korelasional antara variabel dependen dan regressor ditentukan dengan menganalisis data yang diperoleh dengan alat SPSS. Hasil penelitian menunjukkan bahwa Intellectual Capital tidak berpengaruh terhadap nilai perusahaan, profitabilitas dan perputaran aset berpengaruh positif terhadap nilai perusahaan, tetapi leverage berpengaruh negatif terhadap nilai perusahaan. Pengaruh positif dari profitabilitas dan perputaran aset menunjukkan bahwa peningkatan kedua faktor ini akan meningkatkan nilai perusahaan. Sebaliknya, pengaruh negatif dari leverage menunjukkan bahwa peningkatan leverage akan menurunkan nilai perusahaan.

Kata kunci: Intellectual Capital; Profitabilitas; Perputaran Aset; Leverage; Nilai Perusahaan

Abstract

Investor decisions to invest in a company are partially influenced by the company's value. Investors are increasingly attracted to companies that can generate sustainable profits, ultimately enhancing the company's value. This study aims to analyze the influence of intellectual capital, profitability, leverage, and asset turnover on company value, using a sample of companies listed on the Indonesia Stock Exchange in the primary consumer products sector between 2017 and 2021. Using purposive sampling, 61 companies were selected as samples. With observations over 5 years, a total of 305 data observations were obtained. Multiple linear regression analysis was applied to secondary data sourced from the financial accounts of the selected organizations. The correlational relationship between the dependent variable and the regressors was determined by analyzing the data obtained using SPSS tools. The study results indicate that intellectual capital does not affect company value, profitability, and asset turnover positively affect company value, but leverage negatively affects company value. The positive impact of profitability and asset turnover indicates that an increase in these factors will enhance the company's value. Conversely, the negative impact of leverage suggests that an increase in leverage will decrease the company's value.

Keywords: Intellectual Capital; Profitability; Assets Turnover; Leverage; Firm Value

INTRODUCTION

Every business has a profit goal for the fiscal year that must be met. The similar issue applies with investors who seek to profit from investments made in the company. Consistent and rising profits are an indication of a healthy business. Investors will be persuaded to invest in a firm that has strong probability of generating the kind of return on investment or dividends they're anticipating (Ishari & Abeyrathna, 2016). Good corporate value is able to increase shareholder prosperity in addition to providing a healthy return on investment for investors. The management of a company is highly dependent on the prosperity of its shareholders (Rizki et al., 2018), therefore, the more prosperous the shareholders, the safer the company's future. In an effort to stay competitive, the corporation will endeavor to maintain its worth.

The way that companies can take is by shifting their labor-based business strategy to knowledge-based business. The company is trying to increase business knowledge in order to excel in this competition (Sowaity, 2022). This business knowledge will encourage the emergence of creative innovations resulting from the company's Intellectual Capital. Management capabilities with high intellectual capital can provide a competitive advantage for companies (Ali et al., 2021). Increasing profitability ratios can be achieved by companies by managing assets effectively and efficiently. Companies with high levels of profitability attract investors because they expect high dividends to be obtained (Valeria & Halim, 2022). The more investors who invest in the company will ultimately increase the prosperity of shareholders (Hatem, 2017).

Leverage is the proportion of a company's debt that is financed by its own capital. The high leverage indicates that the company is highly dependent on debt, which is an external source of capital. When making decisions regarding external financing, companies must consider the impact of increasing leverage on dividend payments to shareholders (Orajekwe & Okegbe, 2020). Companies must maintain a balance between risk and return on investment in order to maintain shareholder wealth.

Companies require investments in the form of assets to carry out their operations. Asset Turnover ratio is an activity ratio that measures the efficiency with which all company assets are utilized to support sales (Lestari & Mustika, 2019). Companies with the ability to maximize asset utilization will generate high sales. Investors will evaluate the company's capability as a indicator of whether or not to invest in it. The increased sales will support the acquisition of high profits, thereby elevating the stock price.

Several previous studies have conducted an analysis factors that affect firm value. The goal of this study is to re-examine whether Intellectual Capital, Profitability, Leverage and Assets Turnover activities affect Firm Value in the Primary Consumer Goods Industry Sector on the Indonesia Stock Exchange. This research are anticipated to benefit parties who need them to understand more deeply about the importance of Intellectual Capital, Profitability, Leverage and Assets Turnover in increasing company. The literature review, methods, and hypothesis formulation are presented in the paper's next part. Following that, the results of analysis are discussed. The conclusion section will be included in the last part.

According to stakeholder theory, the success of a business is primarily dependent on the support of stakeholders or all parties involved in company activities. Isike & Ajeh (2017) stated that companies must communicate information about their performance through annual reports in order for communication between them and their stakeholders to function smoothly. If the company's annual report is comprehensive and objective, stakeholders will evaluate the company to be trustworthy (Harrison et al., 2015). Reliable annual report information will rise the value of the company while fostering a positive relationship between the two parties.

The requirement for businesses to share information with stakeholders and the market by sending signals about their commitment to society is related to the signaling theory (Bae et al., 2018). The information presented by the company at the end of each period will describe the past condition of the company and its impact on the future. Companies must inform investors about their prospects and demonstrate their value to them as a factor in their choice to invest (Puspitaningtyas, 2019). This description will determine the decision making by investors regarding the investment decisions to be taken. This financial information becomes a signal to users to evaluate the performance as well as the prospects of firm for the next period (Halim, 2022). For investors, financial information is an important guide in making investment decisions. The main focus in signaling theory is the delivery of complete and accurate information so as to increase investor confidence as reflected in rising stock prices. Along with the rise in stock prices, the value of the firm will also rise (Halim, 2023).

The trade-off theory focuses on the benefits of debt or external funding (Uzliawati et al., 2018). The burden of financial difficulties is most likely to arise when companies use excessive debt and are unable to meet interest and principal payments. This theory shows that the level of leverage will increase if using a company that has high debt. The Trade-Off

theory states that businesses should borrow to a level that maximizes the benefits of debt tax shelters while minimizing the risk of insolvency (Serrasqueiro & Caetano, 2015).

When deciding whether to invest in a company, investors will consider the firm value. The value of a firm's stock on the market represents its future potential or how much capital a particular company is thought to be worth by all investors (Ngatemin et al., 2018). The higher share price, the more prosperous the shareholder will be. Investors utilize financial ratios to determine the market value of a firm. These ratios might give management information on how investors perceive the previous performance of the company and its future prospects. There are numerous ratios that are thought to deliver the most accurate information, including Tobin's Q. The Tobin's Q ratio provides a thorough analysis of the fundamental elements with a firm value focus (Marta, 2021).

Value Added Intellectual Capital (VAIC) is a tool that helps businesses improve their intellectual capital. As defined by Todericiu (2021), The goal of intellectual capital management is to acknowledge that it presents chances for businesses to add value. According to the VAIC technique, the effectiveness of three forms of capital such as human capital, structured capital, and capital employed is determined using a company's financial accounts (Dinu, 2022). Human capital efficiency (HCE) encompasses knowledge, experience, productivity, and workplace suitability. Structural capital efficiency (SCE) covers patents, branding, firm strategy, and others. The concept of capital employed efficiency (CEE) describes how both physical and monetary capital are used to add value to businesses. In order to develop value and translate them into services innovations that can drive, all of these components must be effectively managed (Porancea, 2021).

Profitability ratios provide insight into the company's efforts to maximize profit. Return On Assets (ROA) can be used to calculate profitability. The ROA measures how successfully management generates profits from all assets by comparing income after taxes with the total assets of the business. A higher ROA percentage shows that management is more effective at generating profits from total assets (Zuliansyah et al., 2020). According to signal theory, high profits indicate potential business futures. This is interpreted positively by investors and is expected to firm value.

Companies need funding from both internal and external sources in order to run its business. They have to prevent bankruptcy must carefully consider effective funding options while making funding decisions in order to achieve financial equilibrium. The leverage ratio of a company refers to its debt to equity ratio. The debt to equity ratio is high due to the large quantity of corporate debt and the resulting high interest payments. Investors take debt to equity's high value as an indication of the company's significant financial (Giroud & Mueller, 2021). Firm debt accumulations indicate a tightening of future firm-level financing limits, and they exclusively predict a negative future, lowering the firm value.

This ratio represents the efficiency of a company's asset management. The high ratio demonstrates that the company has taken measures to maximize shareholder welfare, total asset turnover measures the effectiveness of a company's usage of its assets to support its sales activities (C. Senarathne & Ravinda, 2021). The greater an organization's asset turnover, the more effectively it will utilize its assets to fund direct expenses, which reflected in rising firm value. In contrast, a low value for this ratio indicates that the company's assets were managed inefficiently, resulting in a decline in sales and earnings, which would ultimately raise investors' suspicions and cause the firm value to decline. While existing literature has extensively explored the impact of various financial metrics on firm value, there is limited research specifically addressing the combined effects of intellectual capital, profitability, leverage, and asset turnover in the context of companies listed on the Indonesia Stock Exchange (IDX) in the primary consumer products sector. Most studies have focused on developed markets, leaving a gap in understanding these dynamics in emerging markets like Indonesia. Furthermore, the interplay between these variables and their collective impact on firm value during the specified period remains underexplored.

This study fills the research gap by providing a comprehensive analysis of how intellectual capital, profitability, leverage, and asset turnover collectively influence the value of firms in the primary consumer products sector in Indonesia. The use of a five-year data

set from 61 companies listed on the IDX adds a temporal depth to the analysis, offering insights into the consistency and variations of these relationships over time. Additionally, by employing purposive sampling and multiple linear regression analysis on secondary data sourced from financial accounts, this research provides a methodologically robust framework for examining these factors in an emerging market context.

The Resource-Based View (RBV) theory posits that a firm's resources and capabilities are crucial in achieving competitive advantage and superior performance. According to RBV, resources that are valuable, rare, inimitable, and non-substitutable (VRIN) can provide a sustainable competitive advantage. Intellectual capital, comprising human capital, structural capital, and relational capital, fits these criteria and can thus significantly enhance firm value.

Effect of Intellectual Capital on Firm Value

Intellectual capital is a type of intangible asset that adds value to a firm in the form of information and expertise. Companies can use knowledge management that is optimally managed to generate the most effective business strategies in order to boost corporate value. According to the RBV theory, these intangible assets can differentiate a firm from its competitors and contribute to higher firm value. This is corroborated by the findings Marta (2021) and Giovanni & Santosa (2020), which indicate that Intellectual Capital affects positively the value of a company.

H₁: Intellectual capital has a positive effect on firm value

Effect of Profitability on Firm Value

Profitability and firm value are causally related. The causation link demonstrates that a company's success as evaluated by the aspects of profitability will have a beneficial impact on investors' decisions to spend their money in the capital market as equity participation if it is in good condition. Based on the RBV theory, firms with higher profitability can reinvest their earnings into valuable resources and capabilities, thereby increasing their firm value. This opinion is supported by research by and research by Sarita (2016) and Tui et al. (2017).

H₂: Profitability has a positive effect on firm value.

Effect of Leverage on Firm Value

The company's high leverage generally receives negative feedback from shareholders. High leverage indicates heavy reliance on debt, which raises the likelihood of insolvency. Debt accumulations indicate a tightening of future firm-level financing limits, and lowering the firm value. According to the RBV theory, excessive debt may limit a firm's ability to invest in valuable resources, thereby negatively impacting firm value. Research by Ispriyahadi & Abdulah (2021) and Aditya et al., (2021) reveal that leverage negatively impacts firm value.

H₃: Leverage has a negative effect on firm value.

Effect of Assets Turnover on Firm Value

The company's ability to utilize its total assets provides significant support for its activities in generating high sales. The greater the level of sales, the greater the increase in the company's stock price, which will make the company's value appear favorable to investors. The RBV theory suggests that firms that utilize their resources efficiently can achieve superior performance and increased firm value. High asset turnover is a reflection of optimal resource utilization, leading to higher firm value. This is supported by studies conducted by Marli (2018), Tekin (2022), and Hasangapon et al. (2021) indicate that asset turnover positively affects firm value.

H₄: Assets Turnover has a positive effect on firm value.

RESEARCH METHOD

This type of research has an associative quantitative structure. Associative issue

formulation is a problem formulation in which the relationship between two or more variables is questioned and quantitative methods designed for number collection (Alavi & Hąbek, 2016). The population of this study consisted of 88 Primary Consumer Goods Sector Companies listed on the Indonesia Stock Exchange between 2017 and 2021. This study's sample will be determined utilizing a method of purposive sampling in order to get a sample of 61 companies. The criteria for selecting the sample are companies must have published complete financial reports for each year from 2017 to 2021, companies must have been continuously listed on the Indonesia Stock Exchange during the entire research period, and companies must be actively operational during the period of study and not undergoing bankruptcy or delisting processes.

The technique for data analysis employs SPSS 22 and consists of traditional assumption tests, multiple linear regression analysis, and hypothesis testing. Research variables are defined as follows:

Table 1. Operational Definition of Variables

Variables	Measurements	Sources
Dependent Variable		
Tobin's Q	$Q = \frac{MVS+D}{TA}$ <p>MVE = Market Value of outstanding shares is calculated by dividing the closing price at year's end by the total number of outstanding shares. D = Book value of total debt. TA = Total assets.</p>	(Nwoye et al., 2021)
Independent Variables		
Intellectual Capital	<p>VAIC= HCE + SCE + CEE HCE=VA/HC SCE= SC/VA CEE= VA/CE VA= OP + EC + D + A VA=Value Added OP = Operating Profit EC=Employee Cost D = Depreciation A = Amortization HC=Human Capital SC=Structural Capital CE=Capital Employed</p>	(Nikolić et al., 2022)
Profitability	$ROA = \frac{\text{Operating Profit}}{\text{Total Assets}}$	(Olawaju & Msomi, 2021)
Leverage	$DER = \frac{\text{Total Debt}}{\text{Equity}}$	(Senarathne & Perera, 2021)
Assets Turnover	$TATO = \frac{\text{Net Sales}}{\text{Total Assets}}$	(Tekin, 2022)

Model Spesification

In order to calculate the predicted firm value using the following regression specification:

$$\text{Tobins' Q} = -\alpha + \beta_1 \text{VAIC} + \beta_2 \text{ROA} - \beta_3 \text{DER} + \beta_4 \text{TATO} + \varepsilon$$

RESULTS AND DISCUSSION

Descriptive statistics

Descriptive statistics analysis provides a summary of statistical data pertaining to minimum, maximum, mean, and standard deviations. This analysis using 305 data from 61 companies in the primary consumer goods sector for the period of 2017 to 2021. Table 2 presents the findings of descriptive statistical analysis.

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Tobin'Q		.1755	82.4444	4.922	10.6969
VAIC	305	.0068	2.8999	.5312	.3204
ROA	305	-.1382	.4468	.0952	.0861
DER	305	.0068	2.8999	.5312	.3204
TATO	305	.0352	4.5707	1.2107	.8834

Source: Stata results, 2023

Normality test

**Table 3. Normality test
Shapiro-Wilk W test for normal data**

Variables	Obs	W	V	z	Prob>z
Tobin'Q	305	0.3607	23.98540	7.3791	0.0765
VAIC	305	0.8969	7.6828	4.3870	0.1251
ROA	305	0.7668	11.00580	5.2241	0.0975
DER	305	0.6624	8.6978	6.9548	0.1169
TATO	305	0.7451	20.5180	8.5525	0.0618

Source: Stata results, 2023

Table 3 displays the probability value of the Shapiro-Wilk test for each variable in the normality test, indicating a greater significance level of 0.05. The data has a normal distribution. The regression model follows the normality assumption.

Multicollinearity test

Table 4. Multicollinearity test

Variables	VIF	1/VIF
VAIC	1.22	0,820
ROA	1.16	0,862
DER	1.14	0,877
TATO	1.26	0.794
Mean VIF	1.20	

Source: Stata results, 2023

The multicollinearity test results are presented in Table 4. The VAIC variable's VIF value is 1.22, and its tolerance value is 0.820. The ROA variable's VIF value is 1.16, and its tolerance value is 0.862. The DER variable has a VIF value of 1.14 and a tolerance of 0.877. The TATO variable has a VIF of 1.26 and a tolerance of 0.7944. All variables have tolerance values more than 0.10 and variance inflation factors less than 10. As a result, the regression model used in this study has no concerns with multicollinearity.

Heteroskedasticity test

**Table 5. Heteroskedasticity test
Breusch-Pagan/Cook-Weisberg test for heteroskedasticity**

chi2(1) = 26.31
Prob > Chi2 = 0.1134

Source: Stata Result, 2023

The probability value of 0.1134 in Table 5 is more than the significance level of 0.05, showing that the regression model does not have heteroscedasticity issues.

Autocorrelation Test

**Table 6. Autocorrelation Test
Wooldridge test for autocorrelation in panel data**

F(1, 60) =	2.219
Prob > F =	0.1846

Source: Stata Result, 2023

According to the autocorrelation test results in Table 6, the F probability value is 0.1846, which is greater than the threshold of 0.05. This result indicates that the regression model is devoid of autocorrelation concerns.

Regression Analysis

Table 7. Regression Analysis Model

Variabel	Unstandardized Coefficients	Sig
Constant	-0.066	0.519
VAIC	0.024	0.092
ROA	17.563	0.000
DER	-0.094	0.000
TATO	0.929	0.000
Adjusted R-Squared	0.862	
Prob (F Statistic)	0.000	

Source: Processed data, 2023

The results of the linear regression analysis show the following equation:

$$\text{Tobins' Q} = -0,066 + 0,024\text{VAIC} + 17,563\text{ROA} -0,094\text{DER} +0,929\text{TATO} + e$$

This equation describes that firm value will decrease by 0,066 units without any influence from any factors. If Intellectual Capital increases by one units, the the firm value will increase by 0,024 units. Every increase of one units of Return On Assets, the firm value will increase by 17,563. If Debt to Equity increases by one units, then the firm value decreases by 0,094 units. If the interaction between Total Assets Turnover and Firm Value rises by one units, the the firm value will increase by 0,929.

The value of the coefficient of determination is represented by the Adjusted R Square value of 0.862. This value indicates that intellectual capital, profitability, leverage, and company activities are capable of explaining 86.2 percent of changes in company value, while the remaining 13.8 percent is explained by factors not included in this research model. The significance value of the model proposed in this study is $0.000 < 0.05$, indicating that it is worth testing.

Effect of Intellectual Capital on Firm Value

According to the test's findings, intellectual capital has no impact on firm value. The findings of this study conflict with those of Marta (2021) and Giovanni & Santosa (2020) studies, which found that intellectual capital increases firm value. The findings of this study, however, are consistent with those of Subaida et al. (2018) study, which likewise demonstrates that intellectual capital has little bearing on business value. Investors may be at blame for this if they focus more on the company's physical resources than its intellectual ones. Additionally, a high level of intellectual capital shows that the business invests much in financing its intellectual assets. Investors won't take the firm's intellectual capital into account when making investments if the money invested are out of proportion to the outcomes realized, which will prevent it from having an effect on the value of the company. RBV Theory posits that valuable resources can lead to a sustainable competitive advantage. Intellectual capital, as an intangible asset, should theoretically contribute to firm value if managed properly. However, the lack of observed impact in this study might be due to investors prioritizing tangible assets over intellectual ones. Additionally, if the investments in intellectual capital do not yield proportional outcomes, investors might overlook its potential benefits, thus not reflecting in the firm value.

Effect of Profitability on Firm Value

The test's findings indicate that profitability has a positive impact on firm value. This result demonstrates that a rise in the company's profitability will positively affect investors' decisions to invest in the business. Investors are of the opinion that making investments in businesses with high levels of profitability will also increase the value of the business. The findings of this study are consistent with studies by Sarita (2016) and Tui et al. (2017) which demonstrate that strong profitability will increase firm value in these businesses. This finding is in line with the RBV Theory, which posits that firms with higher profitability have more resources to invest in valuable, rare, inimitable, and non-substitutable assets, leading to a competitive advantage and higher firm value. High profitability signals efficient management and strong financial performance, attracting investors and enhancing firm value.

Effect of Leverage on Firm Value

The test's findings demonstrate that leverage has a negative impact on business value. The findings of this study are consistent with the RBV theory, which contends that using debt above an organization's optimal level might cause it to lose value. If a corporation has strong internal funding sources, it will utilize debt less because using excessive amounts of debt can increase risk. Companies are thought of as being exceedingly risky, thus investors are not interested in investing in them. The findings of this study are also in line with studies by Ispriyahadi & Abdulah (2021) and Aditya et al. (2021), which demonstrate that using large amounts of debt by businesses might lower firm value.

Effect of Assets Turnover on Company Value

The test results reveal that the company's operations have a positive impact on firm value, supporting the RBV Theory. Efficient asset management reflects the firm's ability to utilize its resources effectively to generate higher sales and profits, thereby enhancing firm value. High asset turnover indicates operational efficiency, maximizing shareholder wealth and attracting investor interest. The findings of this study are consistent with studies by Marli (2018), Tekin (2022), and Hasangapon et al. (2021), which found that corporate activities had a positive impact on firm value. Investors are more interested in companies that have a high level of company activity because they can infer from the company's high level of company activity what the company's future prospects may be.

CONCLUSION

The study's findings indicate that intellectual capital has no effect on firm value. These results show that the company's intellectual capital level cannot be used as an investment criterion. Return On Assets (ROA) has a positive effect on a company's worth. These results imply that an organization's success will be influenced by how well it manages its assets. Leverage that is determined by a company's debt to equity ratio (DER) has a negative effect on its value. These results imply that employing excessive debt will decrease the firm value because it can be an indication that it is having financial issues. Asset Turnover positively affects firm value. These results imply that the value of the business will increase in exact proportion to the worth of its operations.

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