COSTING:Journal of Economic, Business and Accounting
Volume 7 Nomor 3, Tahun 2024
e-ISSN : 2597-5234

THE EFFECT OF COMPANY GROWTH, FIRM SIZE, DPS AND PROFITABILITY ON FIRM PERFORMANCE IN LQ45 COMPANIES

PENGARUH PERTUMBUHAN PERUSAHAAN, UKURAN PERUSAHAAN, DPS DAN PROFITABILITAS TERHADAP KINERJA PERUSAHAAN PADA PERUSAHAAN LQ45

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ABSTRACT

Firm performance is a ratio used to evaluate a company's growth and future potential by collecting information related to the company's earnings to help assess whether there is a possibility of changes in the company's economy. Based on the characteristics of the problem, this study includes comparative historical and causal research. In this study, the object studied, namely the LQ45 index. This study used purposive sampling as a data collection method. This descriptive statistical data was tested using secondary data with the object of research of companies included in the LQ45 index list and having financial statements for five consecutive years from 2017-2021. Companies listed in the LQ45 index for five consecutive years from 2017-2021 are 27 companies and this data meets the criteria for conducting research. For companies that are not included in the criteria to be sampled, there are as many as 18 companies. So, the final sample number of companies taken is 27 companies with a total data of 135 companies. This study examines the effect of Capital Structure on Firm Performance in LQ45 companies with a total of 45 companies listed on the IDX for the period 2017 – 2021 that meet the criteria of having annual financial statements for five consecutive years.
***Keywords**: Firm performance; LQ45 index; Annual Financial Report*

ABSTRAK

Kinerja perusahaan adalah rasio yang digunakan untuk mengevaluasi pertumbuhan perusahaan dan potensi di masa depan dengan mengumpulkan informasi yang berhubungan dengan laba perusahaan untuk membantu menilai apakah ada kemungkinan perubahan ekonomi perusahaan. Berdasarkan karakteristik masalahnya, penelitian ini termasuk penelitian historis komparatif dan kausal. Dalam penelitian ini objek yang diteliti yaitu indeks LQ45. Penelitian ini menggunakan purposive sampling sebagai metode pengumpulan data. Data statistik deskriptif ini diuji dengan menggunakan data sekunder dengan objek penelitian perusahaan yang masuk dalam daftar indeks LQ45 dan memiliki laporan keuangan selama lima tahun berturut-turut dari tahun 2017-2021. Perusahaan yang terdaftar dalam indeks LQ45 selama lima tahun berturut-turut dari tahun 2017-2021 sebanyak 27 perusahaan dan data ini memenuhi kriteria untuk melakukan penelitian. Untuk perusahaan yang tidak masuk dalam kriteria untuk dijadikan sampel adalah sebanyak 18 perusahaan. Jadi, jumlah sampel akhir perusahaan yang diambil sebanyak 27 perusahaan dengan total data sebanyak 135 perusahaan. Penelitian ini menguji pengaruh Struktur Modal terhadap Kinerja Perusahaan pada perusahaan LQ45 dengan jumlah 45 perusahaan yang terdaftar di BEI periode 2017 - 2021 yang memenuhi kriteria memiliki laporan keuangan tahunan selama lima tahun berturut-turut.
Kata kunci: Kinerja Perusahaan; Indeks LQ45; Laporan Keuangan Tahunan

INTRODUCTION

In the era of globalization, competition between companies is getting tighter with the development of technology and innovation so that companies need to improve their performance to get as much profit as possible so that the company can compete with its competitors and continue its business (Sulieman Abughniem et al., 2020). *Firm performance* is a ratio used to evaluate a company's growth and future potential by collecting information related to the company's earnings to help assess whether there is a possibility of changes in the company's economy (Eka Susanti et al., 2022; Nini, 2022; Probodhika & Ratnayake, 2022). With the existence of *a good performance firm*, it can increase investor interest in investing in the company.

There are several important decisions that need to be considered to improve firm *performance,* namely *company growth, firm size,* DPS and *profitability. Company* growth is one indicator or measurement of company growth in a certain period of time and is usually used to measure the company's ability to meet its short-term and long-term obligations (Eka Susanti et al., 2022; Veronika & Malangkucecwara, 2020). *Firm* size is the size or size of assets owned by a company which indicates the larger the company, it generally has a larger total asset (Eka Susanti et al., 2022; Nini, 2022). *Firm* size can be measured by total assets using the calculation of the logarithmic value of total assets. DPS is a ratio that measures how much dividends are paid compared to the number of shares outstanding in a given year (Pan & Qiu, 2022). This DPS describes how much earnings per share are distributed to shareholders in the form of dividends. *Profitability* is one of the company's performance measurements that shows the company's ability to generate profits over a certain period of time with a certain level of sales, assets, and equity (Hughes et al., 2022).

This study used the LQ45 index during the 2017-2021 period. This is due to public confidence in stocks in LQ45 which have better financial strength compared to non-LQ45 stocks. LQ45 index stocks are usually referred to as *blue-chips*. This belief cannot be separated from public perception of risk, where LQ45 index stocks have a smaller risk than non-LQ45 stocks. According to the Central Statistics Agency report (2021), Indonesia's economic growth remained stable in the range of 5.03%-5.02% in 2016-2019, but in 2020 it fell significantly to 2.07% and in 2021 it increased to 3.69% (Puspitaningrum & Septina, 2022). Despite the increase, economic growth in Indonesia is still unstable compared to before the pandemic. The COVID-19 pandemic has not only impacted the Indonesian economy, but also impacted companies in all sectors.

From the results of the background analysis above, it can be concluded that the researcher chose the object of this study with the aim of determining the influence of *company growth, firm size,* DPS and *profitability.*

METHODOLOGY

This research includes basic research. This research is more directed at theoretical testing and only slightly or even does not link the results of the research with practical interests. Based on the characteristics of the problem, this study includes comparative historical and causal research. In this study, the object studied, namely the LQ45 index. This study used purposive sampling as a data collection method. Purposive sampling, which is a method of determining samples by selecting several samples that are assessed according to the problem and research objectives in a population (Klar & Leeper, 2019).

This study uses two types of variables, namely dependent variables and independent variables. The dependent variable used in this study is firm *performance,* which is measured by tobin's q. While the independent variables are *company growth, firm size,* DPS and *profitability.* This study used secondary data. The data taken from the financial statements are *company growth, firm size,* DPS and *profitability*. The company used is the LQ45 index listed on the Indonesia Stock Exchange which includes complete financial statements, as well as consecutive dividends from 2017 to 2021. The data analysis method in this study is the panel data regression method. Panel data is a combination of *cross section* and *time series* data. Based on the number of observations, this study used *balanced panel data*. *Balanced panel* data is the same amount of observation data in each *time series* and *cross section*. Furthermore, the data that has been collected is then processed using SPSS and Eviews software applications version 9.

Descriptive statistical analysis is an analysis that involves data collection, data management, data representation and data analysis. Its purpose is to describe and describe the object of study, without conducting an analysis, and making conclusions. The data generated in descriptive statistical analysis are the amount of data, minimum, maximum, average, and standard deviation values (Sugiyono, 2001).

RESULTS AND DISCUSSIONS

Descriptive Statistics

This descriptive statistical data was tested using secondary data with the object of research of companies included in the LQ45 index list and having financial statements for five consecutive years from 2017-2021. Companies listed in the LQ45 index consist of 45 companies. Companies listed in the LQ45 index for five consecutive years from 2017-2021 are 27 companies and this data meets the criteria for conducting research. For companies that are not included in the criteria to be sampled, there are as many as 18 companies. So, the

final sample number of companies taken is 27 companies with a total data of 135 companies.

The variables studied are company growth, firm size, dividends per share, and profitability. The following are the results of the descriptive statistical test of this study:

Table 1. Descriptive Statistical Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
TOBINSQ	135	0.763938	23.286258	2.2101836	3.242728935
GROWTH	135	-0.241755	1.8697632	0.1151533	0.237436904
SIZE	135	30.34288	35.084358	32.151272	1.318566744
DPS	135	0	2600	231.76474	457.2786251
ROA	135	-0.056933	0.4467457	0.0759163	0.084004068
Valid N (listwise)	135				

Source: Secondary data processed (2023)

From the test results above show that the value of company growth is between 0.763938 for the lowest to 23.286258 for the highest value. The average value of company growth is 2.2101836 and the standard deviation is 3.242728935.

From the test results above, the value of the firm size variable is in the range of 30.34288 for the lowest and 35.084358 for the highest value. The average value of this firm size is 35.151272 and the value of the standard deviation obtained is 1.318566744.

From the test results above, the highest value of dividends per share is 2600 and the lowest value is at 0. The average value of dividends per share is 231.76474 and the standard deviation is 457.2786251.

From the test results above displays the value of profitability which ranges from -0.056933 for the lowest value and for the highest value of the variable at 0.4467457. The average value of profitability is 0.0759163 and the value of standard deviation is 0.084004068.

Model Selection Method

Chow Water

The Chow test aims to choose between the common effect model and the fixed effect model. If the probability value obtained is higher than 0.05 then the best model is to use the common effect model. Meanwhile, if the probability value is smaller than 0.05, the corresponding model is the fixed effect model. If a fixed effect model is selected, the Hausman test must be carried out.

Table 2. Chow Test Results

Effects Test	Statistic	d.f.	Prob.
Cross-section F	8.707554	-26,104	0.0000
Cross-section Chi-square	156.046808	26	0.0000

Source: Secondary data processed (2023).

Based on the results of the Chow test above which shows a probability value smaller than 0.05, the model selected to continue the research is a fixed effect model and the Hausman test will be carried out to determine the next model to be selected.

Uji Hausman

The Hausman test is carried out to select a fixed effect model or random effect model to continue the next data test. If the probability value of the results of the Hausman test is higher than 0.05 then the model that can be selected is the random effect model and if the probability value is smaller than 0.05 then the model chosen is a fixed effect model.

Table 3. Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	12.454187	4	0.0143

Source: Secondary data processed (2023).

Based on the results of the Hausman test above, it shows that the probability value obtained is 0.0143 and smaller than 0.05 so that the best model chosen is the fixed effect model.

Uji Hypoplant

F Test Results

In multiple linear analysis, an F test is needed to determine the effect of the independent variable on the dependent variable simultaneously or as a whole. If the result of this F test has a probability value higher than 0.05, then the independent variable simultaneously or as a whole has no significant effect on the dependent variable. Conversely, if the probability value is less than 0.05, then the independent variable simultaneously or as a whole affects significantly the dependent variable.

Table 4. F Test Results

Variable Dependencies	Statistics	Prob.	Conclusion
Tobin's Q	32.26675	0,000000	Significant

Source: Processed secondary data (2017).

Based on the results of the F test above, it shows that the probability value of the F test is 0.000000 so that we can conclude that the independent variable simultaneously or as a whole has a significant influence on the dependent variable.

Test Results t

The t test is performed to test the effect of each independent variable partially on the dependent variable. In this t test, if the value of the probability is higher than 0.05, then the independent variable in this study does not have a significant effect on the dependent variable. Conversely, if the probability value of the t-test result is smaller than 0.05, then this indicates that the independent variable has a significant influence on the dependent variable.

Table 5. Test Results t

Variable	Coefficient	Std. Error	t-Statistic	Prob.	Conclusion
(*Constant*)	59.34811	20.44424	2.902926	0.0045	
GROWTH	1.960186	0.477921	4.101484	0.0001	Significant Positive
SIZE	-1.829191	0.633954	-2.885368	0.0048	Significant Negative
DPS	0.000270	0.000447	0.605033	0.5465	Insignificant
ROA	18.23763	4.167682	4.375965	0.0000	Significant Positive

Source: Secondary data processed (2023).

From the test results, the data above shows the probability value of company growth of 0.0045 so that it can be concluded that company growth has a significant influence on the dependent variable. The probability value of firm size is 0.0048 so it can be concluded that firm size has a significant influence on the dependent variable. The probability value of dividends per share is 0.5465 so it can be concluded that dividends per share have an insignificant relationship with the dependent variable. The probability value of the profitability variable is 0.0000, so it can be concluded that profitability has a significant relationship with the dependent variable.

The results of the above research show that company growth, firm size and return on assets have a significant relationship with firm performance. Meanwhile, dividends per share have an insignificant influence on firm performance variables.

Regression models can be formed based on the value of the regression coefficient (Coefficient), namely:

Firm Perfomance = 59.34811 + 1.960186 Company Growth - 1.829191 Firm Size + 0.000270 Dividend Per Share + 18.23763 Profitability + e

The value of the firm performance variable constant is 59.34811, which means that if in conditions where the value of the independent variable is zero, then the firm performance is 59.34811.

Company Growth has a significant effect on Firm Performance

The results of this study show the significance level of company growth of 0.0001 and the value of the regression coefficient of 1.960186 so that from these results it can be concluded that company growth has a significant and positive influence on firm performance. The results of this study show that the growth rate resulting from the investment decision of a company affects the performance of the company where the higher the company's growth rate at one time, the growth rate affects the performance of the company itself (Saif Ul Islam et al., 2022)

Research conducted by (Rizal Ahmad Fauzi et al., 2022) states that company growth shows a significant positive influence on the performance of telecommunications companies in developed countries and integrated telecommunications. This is consistent with research (Ghozali &; Handriani, 2018) in Indonesia (significantly positive), (Garg & Singh, 2017) in India (significantly positive), (Nguyen & Nguyen, 2020) in Vietnam (significantly positive) and (Wei et al., 2017) in Malaysia (significantly positive).

Firm Size has a significant effect on Firm Performance

The results of this study show the significance level of firm size of 0.0048 and the regression coefficient value of -1.829191 so that we can conclude that firm size has a significant and negative relationship with firm performance. The results of this study show that in a company that has a lot of assets will make the performance of the company better because with the existence of many assets, companies are more flexible in using funds to increase company performance. Firm size has a significant effect on performance in all different groups in developing countries and in developed countries (Rizal Ahmad Fauzi et al., 2022).

Similar studies by Garg & Singh, (2017) in India with significant negative results, Nguyen & Nguyen (2020) in Vietnam with significant negative results, Ibhagui & Olokoyo (2018) in Nigeria with significant positive results, Ilo & Lawal (2017) in Nigeria with significant negative results and Al Sa'eed (2018) in Jordan, with significant positive

results, Wei et al. (2017) in Malaysia with significant positive results.

Dividend Per Share has a significant effect on Firm Performance

The results of this study show the significance level of dividend per share of 0.5465 and the value of the regression coefficient of 0.000270 so that from these results we can conclude that dividends per share have an insignificant influence on the dependent variable. The results of this study show that the existence of dividends given by the company does not indicate that the company's performance is increasing because increasing dividends does not mean that the company's performance is increasing (Ulya, 2014).

This research is in line with Farrukh et al., (2017) which states investors see the declared dividends are not in line with their expectations can cause no effect of dividends per share on stock prices because dividends per share are needed to help potential investors in making the right investment choices on the Stock Exchange. The same research by Nurul & Stella (2021) states that dividends per share have an insignificant effect on firm performance.

Profitability has a significant effect on Firm Performance

The results of this study show the significance of profitability of 0.0000 and the value of the regression coefficient of 18.23763 so that we can conclude that profitability significantly positively affects firm performance. The results of this study state that high profitability shows good company prospects during the current period where with high profits is evidence of good company performance where the better the company's performance, the higher the profits obtained by the company and able to attract the attention of investors on demand for company shares (Patricia et al., 2018).

This is consistent with research by Ayu & Suarjaya, (2017); Lubis et al., (2017); Huu Luu, (2021); Jihadi et al., (2021); Dang et al., (2019) and Xiong, (2016) who stated that profitability has a significant positive effect on firm performance. And it is also consistent with the statements of Mulia &; Setyawan, (2022) and Gabriella &; Widyasari, (2022) which state that profitability has a significant negative influence.

Test Coefficient of Determination (R2)

The coefficient of determination test is performed to show the percentage of the independent variable in explaining the dependent variable. Any value of this coefficient of determination can be measured using the Adjusted R-squared or R-squared value. The results of the R-squared value are used in studies that have one independent variable, while the results of the Adjusted R-squared value are used in studies that have more than one independent variable.

Table 6. R Square Test Results

Variable Dependencies	Adjusted R-squared	R-squared
Tobin's q	0.875000	0.902985

Source: Secondary data processed (2023).

From the results of the data test above, it can be known that the value of the Adjusted R-square is 0.875000, which means that the value of the Adjusted R-square is 0.875000, which means that the independent variable can explain the dependent variable by 87.5000%, while 12.5000% is explained by other variables that are not contained in the modelwa the independent variable can explain the dependent variable by 87.5000%, while 12.5000% is explained by other variables that are not contained in the model.

CONCLUSION

This study examines the effect of Capital Structure on Firm Performance in LQ-45 companies with a total of 45 companies listed on the IDX for the period 2017 – 2021 that meet the criteria of having annual financial statements for five consecutive years. The tests carried out are Testing descriptive statistics, chow test, hausmen test, f test, t test and r square test. In several previous studies, Capital Structure or company performance consisting of Firm Size, Profitability, Growth Company as an independent variable that has a significant influence on Firm Performance as a dependent variable. Dividend per Share as an independent variable has no significant effect on Firm Performance as a dependent variable.

The results of research and testing conducted using the Eview application revealed that Firm Size has a significant negative effect on Firm Performance, Profitability has a significant positive effect on Firm Performance, Growth Company has a significant positive effect on Firm Performance, Dividend per Share has an insignificant effect on Firm Performance. It is known from the results of research conducted that not all independent variables have a significant influence on the dependent variable.

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