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The Impact Of Financial Performance On Investment Opportunity And Company Value In Indonesia's Consumer-Goods Sector

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ABSTRACT

This study aimed to analyze and identify whether the company performance projected in the variables of liquidity, leverage, activity and profitability influenced investment opportunities and company value in the consumer goods sector listed in IPO in Indonesia (2013-2015). Along with the increasing population and improving economic conditions in Indonesia, public consumption is also increased. This boosts the sales of consumer goods industry sector, as well as improve the business prospects of the consumer goods sector. The sample taken was 37 entities, based on the number of listed companies up to the IPO 2015, consisting of 17 food and beverage subsector entities), cigarettes / tobacco (4 entities), pharmacy (9 entities), cosmetics & household necessities (4 entities), and household appliances (3 entities) during 2013-2015 financial statements. This study was a quantitative causality study between several variables using cross section data. This research used secondary data in the form of financial statements published on the Indonesia Stock Exchange, and academic literatures. The results showed that (1). The direct effect of company performance: CR, DA, and Tattoos had no significant effect on investment opportunities and ROA had a significant effect on investment opportunities. (2). Direct influence Company performance: CR, DA, and ROA had a significant effect on stock prices and Tattoos had no significant effect on stock prices. (3). Indirect influence, company performance: CA and DA had a significant effect on stock prices through investment opportunities and Tattoos, ROA did not significantly influence stock prices through investment opportunities.

Keywords: Company performance, investment opportunity, company value.

INTRODUCTION

Consumer goods sector produce basic needs, such as food, beverages, clothing, cigarettes, household products and other personal products. Sukamulja (2017: 285) said that the consumer-goods sector is the sector with the second largest market capitalization in Indonesia after the financial sector. This sector is relatively stable from economic fluctuations because this sector is closely related to community needs.

Along with the increasing population and the improving economic conditions in Indonesia, public consumption also increased. This boosts the sales of consumer products industry sector issuers, so that business prospects in the field of consumer products become potential.

Table 1. Number of Entities in Consumer-Goods Sector (2017)

No.	Type of Consumer-Goods Sectors	Total Entities (2017)	IPO before 2015	IPON on 2015
1.	Makanan dan Minuman	21 entities	4 entities	17 entities
2.	Rokok	4 entities	0 entity	4 entities
3.	Farmasi	10 entities	1 entity	9 entities
4.	Kosmetik & Keperluan RT	5 entities	1 entity	4 entities
5.	Peralatan RT	4 entities	1 entity	3 entities
	Jumlah	44 entities	7 entities	37 entities

Sourced by: www.idx.co.id, 2017.

Business competition encourages companies to improve financial performance so that corporate goals can be achieved. The company's main objectives according to Brigham (1992: 14), Brigham and Gapenski (1990: 5), Brealey and Myers (1991: 22-23), Titman et al (2018: 41) are maximizing shareholder wealth including maximizing the price of the common stock. One way to measure management success can be seen from the value of the company.

Management is required to perform tasks and responsibilities more effectively and efficiently in making every decision in order to maintain the survival of the company in increasingly fierce business competition, so that the value of the company can continue to increase. Haruman (2008) in Hery (2017: 2) says that increasing the value of a company can attract investors to invest their capital. The higher the company's stock price, reflects the increasing value of the company.

Companies always demand continuous growth; on the other hand, they have to consider prosperity of shareholders. Black (1976) in Hery (2017: 46) said that these two things contradicted each other. Investment is one indicator in increasing company value. The company's growth is realized by the use of funds for investment needs. The greater the investment opportunity for the company, the greater the funds needed in the future to finance investments, the greater the company withholding profits and income derived from work for investment.

Alma (2001: 23) indicated that the purpose of a business is to benefit from the work of the company. Griffin and Ebert (translated by Wardhani, 2007: 4) says that profit is a driver of capital owners to start and develop their business. Furthermore, Jack Clark Francis (1991: 428) said that profitability is an excellent indicator of a firm's financial health.

For investors there are three types of financial ratios that are commonly used and used as references to see the working conditions of a company (Halim, 2015: 214), namely:

1. Ratio related to management performance

Profitability ratio is a ratio that describes the company's ability to generate profits through all the capabilities and resources it has. This ratio is intended to measure the efficiency of the use of assets owned by the company. The efficiency and effectiveness of management is seen from the profits generated from sales and investment. The company's ability to generate profits can be measured by the return on assets, return on equity and profit margin. The higher the company's ability to generate profits, the higher the success of management in using company assets.

2. Ratio related to management operating efficiency

The activity ratio is used to measure how much the company's effectiveness in using resources in the form of assets owned. The higher this ratio shows the more efficient use of assets and the

faster the refund in the form of cash. This ratio includes: 1. Asset turnover ratio, 2. Investment turnover ratio, 3. Fixed asset turnover ratio, and 4. Working capital turnover.

3. The ratio related to the current debt policy

The liquidity ratio is a ratio that describes the company's ability to fulfill its short-term obligations. The company's failure to fulfill its short-term obligations can lead to the bankruptcy of the company. The company's ability to fulfill short-term obligations can be measured by current ratio and quick ratio. The low current ratio has an impact on high liquidity, while the high current ratio has a bad effect on profitability.

4. Ratios related to debt policy

The leverage ratio is a ratio that describes the company's ability to manage debt to finance investments. This ratio measures how much the company is financed with debt. The higher this ratio shows the more financial risk borne by the company. The leverage ratio can be measured by total debt to total asset ratio, total debt to total equity ratio, and long-term debt to equity ratio.

These ratios are generally always a concern of investors because they are consciously considered to have represented an initial analysis of the condition of the company. The problem is whether liquidity (current ratio), leverage (total debt to total asset ratio), profitability (return on assets), and activity (total asset turnover) have a significant effect on investment opportunities and firm value in the go-public consumer goods industry sector in Indonesia.

The aim is to find out and analyze the influence of liquidity (current ratio), leverage (total debt to total asset ratio), profitability (return on assets), and activity (total asset turnover), on investment opportunities and firm value in the consumer goods industry sector go public in Indonesia.

LITERATURE REVIEW

Financial Performance

Financial performance is an analysis conducted to see the extent to which a company has implemented it using the rules of financial implementation properly and correctly. In relation to financial ratios, Titman et al (2018: 115) said that the financial ratio provides a second method for standardizing the financial information in the income statement and balance sheet. This financial ratio helps answer matters relating to the company's financial health.

Question	Category of ratio used to address the question
1. How liquid is the firm. Will it be able to pay its bills as they come due?	Liquidity ratio
2. How has the firm financed the purchase of its assets?	Capital structure ratio
3. How efficient has the firm's management been in utilizing its assets to generate sales?	Asset management efficiency ratio
4. Has the firm earned adequate returned on its investments?	Profitability ratio
5. Are the firm's managers creating value for shareholders?	Market value ratio

Sourced by: *Titman et al* (2018:115)

a. Liquidity Ratio:
Shapiro (1991:731) found that liquidity ratio are used to measure the quality and adequacy of current assets to meet current liabilities as they come due. Brealey & Myers (1991:675); Brigham (1992:50) found that two commonly used liquidity ratio, namely: (1). Current ratio. The current ratio is computed by dividing current assets by current liabilities. (2) Quick ratio. The quick ratio is calculated by deducting inventories from current assets and then dividing the remainder by current liabilities.

b. Leverage Ratio:
Shapiro (1991:743) indicated that Leverage ratio are designed to measure a firm's financial risk. Brigham (1992:51) has three important implications: (1). by raising fund through debt. (2). Creditors look to the equity, and (3). If the firm earns more on investments financed with borrowed fund than it pays in interest, the return in the owners' capital is magnified or "leveraged". Brealey & Myers (1991:675) said that Leverage ratio shows how heavily the company is in debt. When a firm borrows money, it promises to make a series of fixed payments. Ratio leverage can be measured by: (1). Debt ratio and (2). Debt Equity ratio.

c. Activity Ratio:
Brigham (1992:51) said that activity ratio or *asset management ratio*, *measure how effectively the firm is* managing its assets. Shapiro (1991:737) said that activity asset utilization ratio is concerned with how well a firm uses its productive resources. These ratios indicate the amount of sales generated per dollar invested in particular assets. According to Shapiro (1991:737), ratio activity is limited to (1), total assets turnover, encompasses all the turnover ratio presented so far. (2). inventory turnover, measures the speed with which goods flow through a company, (3). net fixed assets turnover, measure the annual revenue generated by each dollar that the firm has invested in fixed Assets. (4). accounts receivable turnover equals net credit sales divided by receivables. This ratio measures the number of times that accounts receivable turnover during the year.

d. Profitability Ratio:
Francis (1991:429) said that Profitability is an excellent indicator of a firm's financial health, Brigham (1992:59) indicated that profitability shows the combined effects of liquidity, assets management, and debt management on operating results. Therefore, profitability ratio according to Shapiro (1991:748) is used to measure management's effectiveness as indicated by the return on sales, assets, and owners' equity. Brealey / Myers (1991:676) emphasized that profitability ratios are used to judge how efficiently the firm is using its assets.

Mamduh and Halim (2016: 81) argued that there are three ratios that are often discussed in analyzing company profitability, namely: (1). Profit margin (PM) is related to the company's ability to generate net profits at a certain level of profit. This low ratio indicates management inefficiency. (2). Return on equity (ROE) is related to the company's ability to earn profits based on certain share capital. This ratio does not measure dividends or capital gains for shareholders. Therefore, this ratio is not a measure of actual shareholder returns. (3). Return on assets (ROA) is related to the company's ability to generate net profits based on certain asset levels. High ROA shows efficient asset management.

INVESTMENT OPPORTUNITIES

The company's success can be measured by the growth of the company. The higher the growth of the company reflects the success of the investment in the past and encourage to conduct future investments (Rozeff in Hery, 2017: 61). In increasing the growth of the company, it requires a lot of funds. This fund is obtained through income from the company's operating

results. Companies that have large investment opportunities tend to set aside a portion of their income and profits as retained earnings in order to avoid external funding costs. Sukamuja (2017: 139) says that the lower the ratio of retained earnings to total assets, the less likely the company can invest again. This means that the company becomes less developed without new investment.

COMPANY VALUE

Investment is one of the important indicators in increasing company value. Normatively, the objectives of financial management want according to Titman et al (2018: 4), Brigham (1992; 14), Brigham and (1990: 5) is maximizing Shareholder Wealth. For publicly-listed companies (go-public), the company's value indicator is reflected in the price of shares traded in the capital market. Because all financial decisions are reflected in it, decision making related to investment, funding and dividend policy will make investors react to stock prices. Thus, a good decision is a decision that can maximize the welfare of shareholders in addition to other financial problems faced by the company. The consequence is the use of resources that are owned efficiently and effectively.

Based on the above theories, the following is conceptual framework in this research:

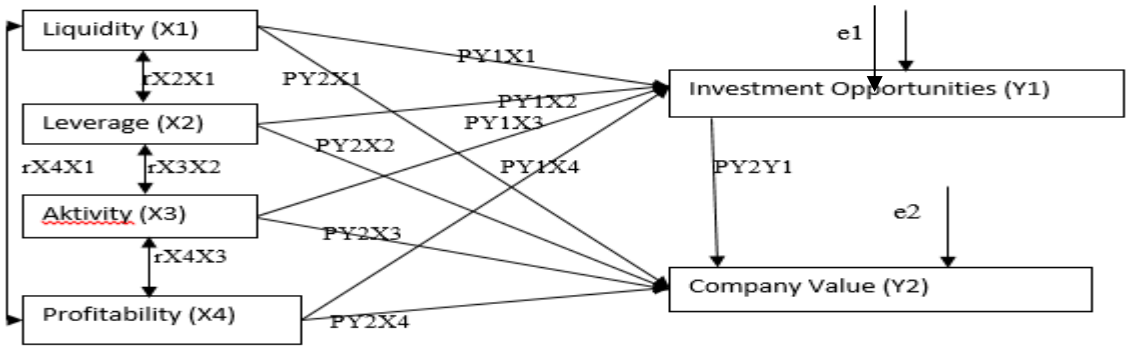

Figure 2. Conceptual Framework

Hypotheses:

1. Liquidity ratio, leverage, activity and profitability partially have a significant effect on investment opportunities.
2. Liquidity ratio, leverage, activity and profitability partially have a significant effect on firm value.
3. Liquidity ratio, leverage, activity and profitability partially have a significant effect on firm value through investment opportunities.

METHODOLOGY

This study focuses on the problem of the influence of the company's financial performance projected in ratios: Liquidity as measured by the current ratio, Leverage as measured by debt to total assets, Activities measured by total asset turnover, and Profitability as measured by return on total assets to Investment Opportunities measured by retained earnings to total assets and Company Values measured by closing stock prices.

There are 37 entities in the consumer goods industry which went public in the 2013-2015 period and examined their financial statements. This research is a quantitative study of

causality between several variables. The data used is cross section data and secondary data types.

Data analysis is done by procedure:

1. Descriptive statistics that describe the variables used.
2. Classical Asymptotic Test:
3. Hypothesis testing, used t test, F test and determination coefficient (R2).
4 Sobel Test
5 Path Analysis

ANALYSIS

1. Descriptive statistic

To test the direct and indirect relationship of independent variables to dependent variables, path diagram is used consisting of exogenous variables X1; X2; X3; X4 and endogenous variables Y1 and Y2 and sub-structural 1 equations are formed: Y1 = PY1X1 + PY1X2 + PY1X3 + PY1X4 + e1 and sub-structural equation 2 Y2 = PY2X1 + PY2X2 + PY2X3 + PY2X4 + PY2Y1 + e2 with the stages of analyzing substructure equation 1 and continued by analyzing sub-structural equations 2.

Analyze the substructure equation 1 Y1 = PY1X1 + PY1X2 + PY1X3 + PY1X4 + e1. Where is the dependent variable: Y1 = Opportunity for invasion, and independent variable: X1 = Current ratio, X2 = Debt to total assets, X3 = total asset turnover, and X4 = Return on total assets, while P = Beta standardized, and e1 = error.

Data analysis is interpretation of results of data processing:

Table 2. Descriptive Statistics.

Descriptive Statistics

	Mean	Std. Deviation	N
Y1	.2927	.28526	111
X1	2.5481	1.64559	111
X2	.4495	.21847	111
X3	1.2660	.57176	111
X4	10.8076	13.51020	111

Sorces by: Data Analysis

Descriptive test results show that the consumer goods industry sector has an average value of: investment opportunities (Y1) of 29.27%; debt policy (X1) 254.81%; debt use efficiency (X2) 44.95%; efficiency of asset use (X3) 126.60% and management performance of (X4) 1080.76%. Thus it can be said that the condition of the consumer goods industry is very potential.

2. Test of Classical Asymptotics

To find out the feasibility of the model used, testing is carried out:

a. Normality test.

The Kolmogorov-Smirnov test model is intended to test whether standardized residual values in the regression model are normally distributed. The regression model has normal distribution if the value of Asymp. Sig. > α = 0.05.

Table 3. Normality Test Results
One-Sample Kolmogorov-Smirnov Test

		Standardized Residual
N		111
Normal Parameters[a]	Mean	.0000000
	Std. Deviation	.98164982
Most Extreme Differences	Absolute	.151
	Positive	.085
	Negative	-.151
Kolmogorov-Smirnov Z		1.592
Asymp. Sig. (2-tailed)		.013

a. Test distribution is Normal.

Sourced by: Data Analysis

Based on the output above it can be seen that symp. sig (2-tailed) of 0.013 <0.05. This means that the standardized standardized residual value is not normal. Thus the asymptotic of normality is not fulfilled. How to overcome these violations (Suliyato, 2011: 78), the transformation of data into LN is obtained:

Table 4. Normality Test Results (2)
One-Sample Kolmogorov-Smirnov Test

		Standardized Residual
N		86
Normal Parameters[a]	Mean	.0000000
	Std. Deviation	.97618706
Most Extreme Differences	Absolute	.120
	Positive	.061
	Negative	-.120
Kolmogorov-Smirnov Z		1.116
Asymp. Sig. (2-tailed)		.165

a. Test distribution is Normal.

Sourced by: Data Analysis

From the above output, it is known that Asymptotic of significance (2-tailed) is 0.165> 0.05. This means that data is normally distributed.

b. Linearity Test

By using the Lagrange Multiplier (LM-Test) method to measure linearity by comparing the value of X2 = n x R2 with X2table at df = (n.α).

Table 5. Linearity Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.330[a]	.109	.065	.40942342

a. Predictors: (Constant), X4sqr, X2sqr, X3sqr, X1sqr

b. Dependent Variable: Unstandardized Residual

Sourced by: Data Analysis

Based on the above output, the X2count is 9,374 <X2 table 108,648. The linear regression model is true.

c. Multi-collinearity Test.

Multi-collinearity test aims to test whether in the regression model formed there is a high or perfect correlation between independent variables or not with the Tolerance and VIF approaches.

Table 6. Multi-collinearity Test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-2.326	.147		-15.778	.000		
	lnX1	.044	.193	.042	.227	.821	.166	6.039
	lnX2	-.496	.259	-.364	-1.915	.059	.158	6.339
	lnX3	.140	.129	.090	1.085	.281	.839	1.192
	lnX4	.301	.054	.482	5.523	.000	.752	1.330

a. Dependent Variable: lnY1

Sourced by: Data Analysis

Based on the above output, Tolerance> 0.10 and VIF <10. This means multiple linear regression models that are free from multi-collinearity disorders.

d. Heteroscedasticity Test

The Heteroscedasticity test using the White motive is done by regressing all the independent variables, the squared independent variable and the interaction of the independent variable with the residual squared value. If the value of X2 = nx R2 (Gujarati, 2003 in Suliyanto, 2011: 112) is greater than the value of X2table = n.α, in the model there is a problem of Heteroscedasticity.

Table 7. Heteroscedasticity Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.805[a]	.648	.591	.34657

a. Predictors: (Constant), lnX4_lnX1, lnX3, X4sqr, X2sqr, lnX4, X1sqr, lnX2_lnX3, X3sqr, lnX3_lnX4, lnX2, lnX1, lnX1_lnX2

b. Dependent Variable: U2

Sourced by: Data Analysis

Based on the above output, the value of X2 count is 55.728. <X2 table 108,648. The regression model used is free from the problem of Heteroscedasticity.

3. Hypothesis Test

a. Coefficient of Determination (R2)

The coefficient of determination (R2) describes the amount of contribution of independent variables to dependent variables. The higher the value of R2, the higher the ability of the independent variable to explain variations in changes in dependent variables.

Table 8. Coefficient of Determination.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.733[a]	.537	.514	.43371

a. Predictors: (Constant), lnX4, lnX1, lnX3, lnX2

Sourced by: Data Analysis

The output above shows that the multiple regression model used explains the effect of independent variables on dependent variables by 53.7% and 68.04% related to variables outside the model used.

b. Test F

The F test is used to test the accuracy of the model used to predict changes in dependent variables. To conclude the fit (fit) of the model, compare the value of F-count with the value of F-table. If the value of Fcount> Ftable, the equation model that is built into the criteria fit.

Table 9. F Test

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.690	4	4.422	23.511	.000[a]
	Residual	15.236	81	.188		
	Total	32.926	85			

a. Predictors: (Constant), lnX4, lnX1, lnX3, lnX2

b. Dependent Variable: lnY1

Sourced by: Data Analysis

Based on the above output, the calculated F value is 23,511> Ftable 2,653 at alpha 5%. This means that the model used can be used to explain the effect of independent variables on non-independent variables simultaneously.

c. T Test

The t test value is used to test the effect partially on dependent variables. A variable will have a significant effect if the value of tcount> t table.

Table 10. T Test Result

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2.326	.147		-15.778	.000
	lnX1	.044	.193	.042	.227	.821
	lnX2	-.496	.259	-.364	-1.915	.059
	lnX3	.140	.129	.090	1.085	.281
	lnX4	.301	.054	.482	5.523	.000

a. Dependent Variable: lnY1

Sourced by: Data Analysis

Based on the output above, it is partially obtained that the variable X4 has a significant effect on Y1. This is illustrated in the tcount of 5.523> t table 1.987 at alpha 5%. While other variables in the model (variables X1, X2 and X3) have a tcount that is smaller than t table, which means that there is no significant effect on Y1. Based on the above equation, hypothesis 1 is tested as follows:

Table 11. Hypothesis Test 1

Dependent Variable	Independent Variable	P	T	Sig. α=0.05	Description	Hypothesis 1
Y1	X1	0.042	0.227	0.821	Insignificant	Rejected
R2 = 0.537	X2	-0.364	-1.915	0.059	Insignificant	Rejected
Sig.= 0.000	X3	0.090	1.085	0.281	Insignificant	Rejected
F_h = 23.511	X4	0.482	5.523	0.000	Significant	Accepted

Sourced by: Data Analysis

Substructure equation 2: Y2 = PY2X1 + PY2X2 + PY2X3 + PY2X4 + PY2Y1 + e2, where the dependent variable is Y2 = stock price; the independent variable is X1 = Current Ratio; X2 = Debt to Equity; X3 = Total Asset Turnover; X4 = Return on Total Assets; Y1 = Investment Opportunity; and P = Beta Standardized; and e2 = error.

1. Descriptive Statistics

Data analysis is interpretation of results of data processing:

Table 12. Descriptive Statistics

Descriptive Statistics

	Mean	Std. Deviation	N
Y2	7.6827	2.22047	110
X1	2.5538	1.65202	110
X2	.4507	.21906	110
X3	1.2679	.57403	110
X4	10.4906	13.15098	110
Y1	.2916	.28629	110

Sourced by: Data Analysis

Descriptive test results indicate that the Consumer goods Industry Sector has an average of: Opportunities to invest (Y1) of 29.16%; Ability to pay debt lancer (X1) 255.38%; efficient use of debt (X2) 45.07%; efficiency of asset use (X3) 126.79% and management performance in profit (X4) of 1049.06%. Thus it can be said that the condition of the consumer goods industry is very potential.

2. Test of Classical Asymptotic

To find out the feasibility of the model used, testing is carried out:

a. Normality Test using the Kolmogorov_Smirnov model.

The Kolmogorov_Smirnov test model is intended to test whether standardized residual values in the regression model are normally distributed. The regression model is said to be normally distributed if the value of Asymptotic sig. (2-tailed)> α = 0.05

Table 13. Normality Test.
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		110
Normal Parameters[a]	Mean	.0000000
	Std. Deviation	1.40964784
Most Extreme Differences	Absolute	.136
	Positive	.136
	Negative	-.088
Kolmogorov-Smirnov Z		1.425
Asymp. Sig. (2-tailed)		.035

a. Test distribution is Normal.

Sourced by: Data Analysis

Based on the output above it can be seen that Asymptotic sig (2-tailed) of 0.035 <0.05. This means that the standardized residual value is not normal. Thus the asymptotic of normality is not fulfilled. By transforming data into LN, obtained:

Table 14. Normality Test
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		85
Normal Parameters[a]	Mean	.0000000
	Std. Deviation	1.46475083
Most Extreme Differences	Absolute	.081
	Positive	.081
	Negative	-.054
Kolmogorov-Smirnov Z		.743
Asymp. Sig. (2-tailed)		.640

a. Test distribution is Normal.

Sourced by: Data Analysis

Based on the above output, obtained Asymp.ig (2-tailed) 0.640> 0.05. Means the data is normally distributed.

b. Linearity Test

By using the Lagrange Multiplier (LM-Test) method to measure linearity by comparing the value of X2 = n x R2 with X2table at df = (n.α).

Table 15. Normality Test.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.348[a]	.121	.065	1.41598442

a. Predictors: (Constant), Y1Sqr, X3sqr, X4sqr, X1sqr, X2sqr

b. Dependent Variable: Unstandardized Residual

Sourced by: Data Analysis

Based on the above output, the value of X2 count is 10.285 <X2 table 108,648. The regression model used is linear.

c. Multicollinearity Test.

Multicollinearity test aims to test whether in the regression model formed there is a high or perfect correlation between independent variables or not with the Tolerance and VIF approaches.

Table 16. Multicollinearity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	8.013	1.045		7.670	.000		
	lnX1	1.439	.678	.387	2.123	.037	.163	6.132
	lnX2	2.623	.928	.539	2.826	.006	.149	6.700
	lnX3	-.545	.456	-.097	-1.194	.236	.815	1.226
	lnX4	1.346	.226	.594	5.945	.000	.543	1.841
	lnY1	1.295	.388	.362	3.337	.001	.460	2.172

a. Dependent Variable: lnY2

Sourced by: Data Analysis

Based on the above output, Tolerance> 0.10 and VIF <10. This means multiple linear regression models that are free from multicollinearity disorders.

d. Heteroscedasticity Test

The Heteroscedasticity test using the White motive is done by regressing all the independent variables, the squared independent variable and the interaction of the independent variable with the residual squared value. If the value of X2 is smaller than the value of X2table = n.α, the model is free from the problem of Heteroscedasticity.

Table 17. Heteroscedasticity test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.805[a]	.648	.591	.34657

a. Predictors: (Constant), lnX4_lnX1, lnX3, X4sqr, X2sqr, lnX4, X1sqr, lnX2_lnX3, X3sqr, lnX3_lnX4, lnX2, lnX1, lnX1_lnX2

b. Dependent Variable: U2

Sourced by: Data Analysis

Based on the above output, the value of X2 count is 55.728. <X2 table 108,648. The regression model used is free from the problem of Heteroscedasticity.

3. Test the Hypothesis

a. Coefficient of Determination (R2)

The coefficient of determination (R2) illustrates the contribution of independent variables in explaining variations in changes in dependent variables.

Table 18. Coefficient of Determination

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.756[a]	.572	.545	1.51039

a. Predictors: (Constant), lnY1, lnX3, lnX1, lnX4, lnX2

Sourced by: Data Analysis

The output above shows that the multiple regression model used is able to explain the effect of independent variables on dependent variables by 57.20% and 65.42% related to variables outside the model used.

b. F Test

The F test is used to test the accuracy of the model used to predict changes in dependent variables. To conclude the fit (fit) of the model, compare the value of F-count with the value of F-table. If the value of Fcount> Ftable, at alpha 5%, the equation model that is built into the criteria is fit.

Table 19. F Test

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	240.569	5	48.114	21.091	.000[a]
	Residual	180.222	79	2.281		
	Total	420.790	84			

a. Predictors: (Constant), lnY1, lnX3, lnX1, lnX4, lnX2

b. Dependent Variable: lnY2

Sourced by: Data Analysis

Based on the above output, the F-count of 21.901> F-table 2.653 at alpha 5% is obtained. This means that the model used is capable of explaining variations in changes in independent variables on dependent variables simultaneously. The fit-built model is used to explain variations in these changes.

c. T-Test

The t-test value is used to test the effect of partial independent variables on dependent variables. An independent variable is declared to have a significant effect if the value of t-count> t table. At alpha 5%.

Table 20. T-Test.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.013	1.045		7.670	.000
	lnX1	1.439	.678	.387	2.123	.037
	lnX2	2.623	.928	.539	2.826	.006
	lnX3	-.545	.456	-.097	-1.194	.236
	lnX4	1.346	.226	.594	5.945	.000
	lnY1	1.295	.388	.362	3.337	.001

a. Dependent Variable: lnY2

Sourced by: Data Analysis

Based on the output above, partially obtained that the value of tcount> ttable at α 5% means that variables X1, X2, X4, and Y1 have a significant effect on Y2. While the variable X3 has a count <ttable at α 5%, which means that X3 has no significant effect on Y2.

Based on the equation above, hypothesis 2 is tested as follows:

Table 21. Hypothesis Testing 2.

Dependent Variable	Independent Variable	P	T	Sig. α=0.05	Description	Hypothesis 2
Y2	X1	0.387	2.123	0.037	Significant	Accepted
R^2 = 0.572	X2	0.539	2.826	0.006	Significant	Accepted
Sig.= 0.000	X3	-0.097	-1.194	0.236	Insignificant	Rejected
F_h = 21.091	X4	0.594	5.945	0.000	Significant	Accepted
F_t = 2.653	Y1	0.362	3.337	0.001	Significant	Accepted

Sourced by: Data Analysis

4. Mediation Variable Test

Mediation test with the Product method of this Coefficient is done to free up the indirect influence of independent variables on dependent variables through mediating variables. The product method of the coefficient shows that:

Table 22. Mediation Variable Test

Variable	Z test on α= 0,05	Significance	Hypothesis 3
X1->Y1->Y2	2,67 > 1,96	Significant	Accepted
X2->Y1->Y2	-3,54 > -1,96	Significant	Accepted
X3->Y1->Y2	0,28 < 1,96	Insignificant	Rejected
X4->Y1->Y2	0,15 < 1,96	Insignificant	Rejected

Sourced by: Data Analysis

From the above output it can be seen that X1 and X2 have a significant effect on Y2 through Y1. This means that debt policy will have a significant effect on stock prices, if the policy

encourages the growth of investment opportunities. While X3 and X4 do not affect stock prices through Y1. This means that the operational efficiency of management and management performance has no significant effect on stock prices through investment opportunities.

5. Dichotomy of Path Coefficients

From the results of the above analysis, it is illustrated the direct effect and indirect influence between independent variables on dependent variables.

Table 23. Direct, indirect and total effects.

Relationship	Direct effect	Indirect effect	Total effect
X1->Y1	0,042 (TS)	-	-
X2->Y1	-0,364 (TS)	-	-
X3->Y1	0,090 (TS)	-	-
X4->Y1	0,482 (S)	-	-
X1->Y2	0,387 (S)	X1->Y1->Y2 = 0,015	0,402
X2->Y2	0,539 (S)	X2->Y1->Y2 = -0,132	0,407
X3->Y2	-0,097 (TS)	X3->Y1->Y2 = 0,033	-0,064
X4->Y2	0,594 (S)	X4->Y1->Y2 = 0,175	0,769
Y1->Y2	0,362 (S)	-	-

Sourced by: Data Analysis

DISCUSSIONS

Based on the output of the equation substructure 1 and substructure 2, the path diagram can be described as follows:

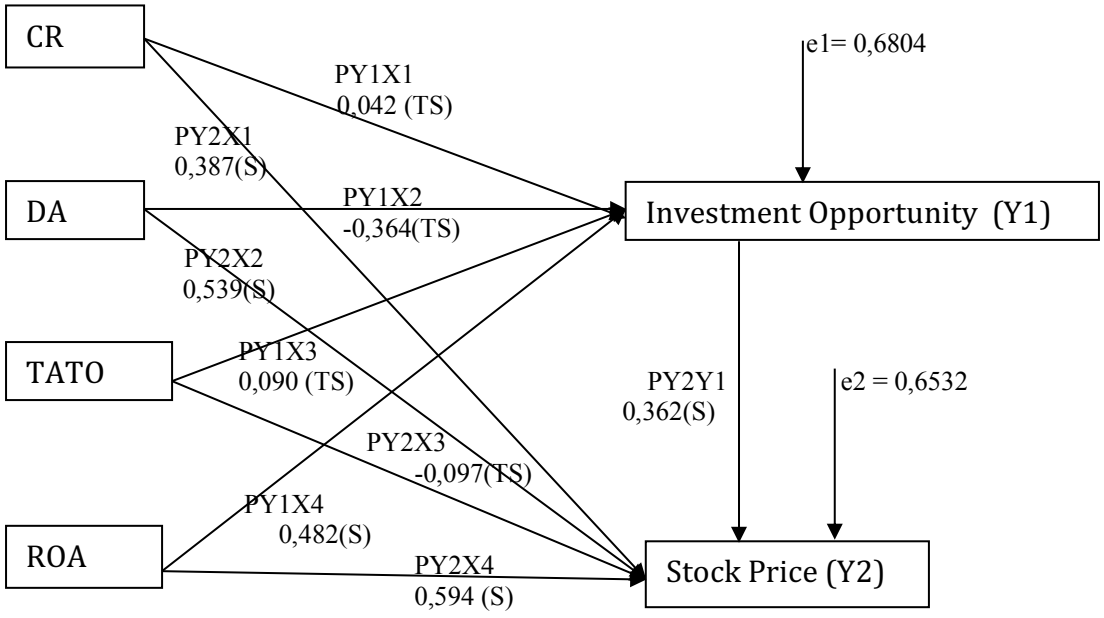

Figure 2. Path Analysis

1. Effect of Financial Performance on Investment Opportunities

The model : Y1 = P1X1 + P2X2 + P3X3 + P4X4 + e1

Y1 = 0.042X1 - 0.364X2 + 0.090X3 + 0.482X4 + 0.6804

a. Effect of Current Ratio (X1) on investment opportunities (Y1).

The output above illustrates that X1 has a positive and not significant effect on Y1. This means that the increase in X1 has an impact on Y1 of 4.20% and is not significant. This shows that management policies relating to the use of debt are not significantly influential on Y1.

b. Effect of Debt to Total Assets (X2) on investment opportunities (Y1).

The output above illustrates that X2 has a negative and not significant effect on Y1. This means that the decrease in X2 has an impact on Y1 of 36.40% and is not significant. This shows that management policies related to the use of debt have negative and no significant effect on Y1.

c. Effect of Total Asset Turnover (X3) on investment opportunities (Y1).

The output above illustrates that X3 has a positive and no significant effect on Y1. This means that an increase in X3 affects Y1 by 9% and is not significant. This shows that management operational efficiency has no significant effect on Y1.

d. Effect of Return on Total Asset (X4) on investment opportunities (Y1).

The output above illustrates that X4 has a positive and significant effect on Y1. This means that an increase in X4 has a significant impact on Y1 of 48.20%. This shows that management performance related to the ability to gain a profit has a significant effect on Y1.

2. Effect of Financial Performance on Corporate Values

The model : $Y2 = P1X1 + P2X2 + P3X3 + P4X4 + P5Y1 + e2$

$Y2 = 0.387X1 + 0.539X2 - 0.097X3 + 0.594X4 + 0.362Y1 + 0.6532$

a. Effect of Current Ratio (X1) on firm value (Y2).

The output above illustrates that X1 has a significant effect on Y2. This means that the increase in X1 has a significant impact on Y2 of 38.70%. This shows that management policies related to the use of debt are significantly influential on Y2.

b. Effect of Debt to Total Assets (X2) on firm value (Y2).

The output above illustrates that X2 has a significant effect on Y2. This means that the use of X2 has a significant impact on Y2 of 53.90%. This shows that management policies related to the use of debt have a significant effect on Y2.

c. Effect of Total Asset Turnover (X3) on firm value (Y2).

The output above illustrates that X3 has a negative and not significant effect on Y2. This means that an increase in X3 has an impact on Y2 of 9.70% and is not significant. This shows that management operational efficiency has no significant effect on Y2.

d. Effect of Return on Total Assets (X4) on firm value (Y2).

The output above illustrates that X4 has a positive and significant effect on Y2. This means that an increase in X4 has a significant impact on Y2 of 59.40%. This shows that management performance related to X4 has a significant effect on Y2.

e. Effect of Investment Opportunity (Y1) on firm value (Y2).

The output above illustrates that Y1 has a positive and significant effect on Y2. This means that an increase in Y1 has a significant impact on Y2 of 36.20%. This shows that management performance related to X4 has a significant effect on Y2.

3. Effect of Financial Performance on Corporate Values through Profitability

a. Effect of Current Ratio (X1) on firm value (Y2) through investment opportunities (Y1).

The output above illustrates that X1 has a significant effect on Y2 through Y1. This means that Y1 has a positive and significant effect in mediating X1 against Y2. The magnitude of the indirect effect of X1 on Y2 through Y1 is 1.50% and the remaining 99.25% relates to other variables outside the model. Thus the effect of total X1 against Y2 through Y1 is 40.20%. When compared to the direct effect of X1 on Y2 of 38.70%, the existence of Y1 acts as a driver of the influence of X1 on Y2.

b. Effect of Debt to Total Assets (X2) on firm value (Y2) through investment opportunities (Y1).

The output above illustrates that X2 has a significant effect on Y2 through Y1. This means that Y1 has a negative and significant effect in mediating X2 against Y2. The magnitude of the indirect effect of X2 on Y2 through Y1 is -13.20% and the remaining 93.17% is related to other variables outside the model. Thus the effect of total X2 on Y2 through Y1 is 40.70%. When compared to the direct effect of X2 on Y2 of 53.90%, the existence of Y1 does not play a role as a driver of the influence of X2 on Y2.

c. Effect of Total Asset Turnover (X3) on firm value (Y2) through investment opportunities (Y1).

The output above illustrates that X3 has no significant effect on Y2 through Y1. This means that Y1 has a positive effect and is not significant in mediating X3 against Y2. The magnitude of the indirect effect of X3 on Y2 through Y1 is 3.30% and the remaining 98.34% is related to other variables outside the model. Thus the effect of total X3 on Y2 through Y1 is -6.40%. When compared to the direct effect of X3 on Y2 of -9.70%, the existence of Y1 does not play a role as a driver of the influence of X3 on Y2.

d. Effect of Return on Total Asset (X4) on firm value (Y2) through investment opportunities (Y1).

The output above illustrates that X4 has no significant effect on Y2 through Y1. This means that Y1 has a positive effect and is not significant in mediating X4 against Y2. The magnitude of the indirect effect of X2 on Y2 through Y1 is 17.50% and the remaining 90.83% is related to other variables outside the model. Thus the effect of total X4 on Y2 through Y1 is 76.90%. When compared to the direct effect of X4 on Y2 of 59.40%, the existence of Y1 acts as a driver of the influence of X4 on Y2.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

1. Effect of Financial Performance on Investment Opportunities

a. Liquidity variables have a positive and not significant effect on investment opportunities.
b. Leverage variables have a negative and not significant effect on investment opportunities.
c. Activity variables have a positive and not significant effect on investment opportunities.
d. Profitability variables have a positive and significant effect on investment opportunities.

2. Effect of Financial Performance on Corporate Values

a. Liquidity variables have a positive and significant effect on firm value.
b. Leverage variables have a positive and significant effect on firm value.
c. Activity variables have a negative and not significant effect on firm value.
d. Profitability variables have a positive and significant effect on firm value.
e. Investment opportunity variables have a positive and significant effect on firm value.

3. Effect of Financial Performance on company value through investment opportunities

a. Liquidity variables have a positive and significant effect on firm value through investment opportunities.

b. Leverage variables have a negative and significant effect on firm value through investment opportunities.

c. Activity variables have positive and not significant effect on firm value through investment opportunities.

d. Profitability variables have positive and not significant effect on firm value through investment opportunities.

Recommendations

1. For researchers, it is recommended to use independent variables outside of this study to explain the influence of company value through investment opportunities.
2. For firms, they need to be more careful in making investment decisions based on the company's financial performance.

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