

LITERATURE REVIEW OF THE INFLUENCE OF FUNDAMENTAL FACTORS ON COMPANY VALUE IN THE PLASTIC AND PACKAGING INDUSTRY SECTOR ON THE INDONESIAN STOCK EXCHANGE PERIOD 2018-2022

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ABSTRACT

This research is a literature review to see the influence of fundamental factors on company value. The companies used in this research focus on plastic and packaging industry sector on the Indonesian stock exchange companies. The research period is from 2018 to 2022. This research will examine 9 companies using SPSS statistical tools by testing classic assumptions and hypotheses to answer the questions in the research.

INTRODUCTION

The plastic manufacturing industry, which is an important part of the world economy and has grown significantly in recent years. Plastic is used in many fields ranging from the food and beverage industry, pharmaceuticals, cosmetics, electronics, automotive and also in people's daily lives. Plastic is often used because in terms of durability, shape and price it is fairly adaptive and is often found in everyday products such as plastic bottles, shopping bags and household appliances.

According to data from the Indonesia Packaging Federation (2020), the packaging sector in the country is expected to experience a growth rate of around 6% in 2020. from last year's realized value of IDR 98.8 trillion (source: <https://kemenperin.go.id/>). This shows that the Indonesian packaging industry still has the potential to develop and grow in the future. This growth forecast is driven by several factors, such as the rapid growth of the digital market, increasing demand for smart packaging, increasing consumer awareness of sustainable packaging and packaging design which can reduce packaging costs and increase product competitiveness.

Notes from the Ministry of Industry stated that the growth of the rubber and plastic industry grew by 6.92% in 2018, experiencing a greater increase compared to growth in 2017 of 2.47%. Apart from that, it can be said that the

plastic and rubber industry also contributed significantly to the Gross Domestic Product (GDP) of non-oil and gas management which was relatively high, namely 3.54% throughout 2018, the sector received results of around IDR 92.66 trillion compared to 2017. And this condition has continued to grow over the last five years. Because of this, serious efforts are needed to increase the competitiveness of the plastics industry and improve its products to be more environmentally friendly. One of them is that plastic producers must utilize touch to increase the competitiveness of the plastic industry, especially in the production process, (Source: <https://kemenperin.go.id/>).

Several previous researchers have also investigated the impact of the fundamental factors mentioned above on company value. Previous research shows that the results of research conducted are varied, including the following: Research conducted by (Sintyana & Artini, 2018) with the title "Influence of Profitability, Structure of Capital, Size of Company and Dividend Policy Against Market Company" this research shows that profitability and dividend policy have a significant positive influence on company value. Otherwise, capital structure and company size has no effect on company value.

Research conducted by (Nurfauzan Aziz, 2022) found that Return on Assets (LONG), Sales Growth (SG), and Degree of Operating Leverage (DOL) does not have a significant influence on Price to Book Value (PBV). Simultaneously, variable Debt to Equity Ratio (DER) has a positive and statistically significant influence on PBV. The company size variable has an interesting and detrimental influence on PBV. At the same time, there is a major impact on PBV.

Given the differences in theoretical frameworks and observed events mentioned previously, scholars are intrigued by the prospect of investigating firm value. Researchers use fundamental characteristics as independent variables and company value as the dependent variable in this research. The companies selected are packaging and plastic companies registered on the IDX. with a period of five years, namely 2018-2022. Based on the previous background, the researcher is interested in conducting research entitled "The Influence of Fundamental Factors on Company Value in the Plastics and Packaging Industry Sector Listed on the Indonesian Stock Exchange for the 2018-2022 Period".

In connection with this, this research aims to find out how fundamental factors, such as Return on Assets (LONG), Debt to Equity Ratio (DER), Earnings Per Share (EPS), Sales Growth (SG) and company size (Size) influence company performance in the plastic manufacturing industry.

It is hoped that in the future this research can provide insight into the influence of fundamental factors on company value in the plastic and packaging industry on the Indonesian Stock Exchange. The results of this research provide valuable information for companies in the plastics industry, investors, and financial analysis to optimize company performance and make investment decisions.

THEORETICAL REVIEW

Financial Ratios

Financial ratios as defined by James C Van Horne are quantitative indicators that form a relationship between two accounting numbers by dividing one number by another (Van Horne & Wachowicz Jr, 2012). According to Sugiono (2017:86), ratio analysis refers to a numerical representation that shows the correlation between various components in a financial report. These links are mathematically represented in an unclear way (Sugiyono, 2017).

Fundamental Factors

The value of the company

Company value is a condition that the company wants to achieve as proof of the public's trust in the company after going through an operational process that lasted several years, namely from the company's founding to the company's current state (Rahayu et al., 2020). According to (Mariani et al., 2018) increasing company value is the dream of business owners, because a high value shows that shareholders also have high wealth. Company value is very important in investment transaction activities (Moeljadi and Supriyati, 2014).

Profitability

Profitability is a company's skill in making a profit (Rahayu et al., 2020). Profitability can be an important consideration for an investor when making investment decisions (Moeljadi and Supriyati, 2014). According to Kasmir (2016), this profitability ratio shows the efficiency of company management which is reflected in the company's sales results and investment income (Kusumaningrum et al., 2022).

Capital Structure

Capital structure is a complex financial decision related to the company's internal practices of using company-owned funds (Mayangsari, 2018). Capital structure is a comparison between personal capital (retained profits and company ownership) and external capital (short-term debt and long-term debt) (Maharani & Sugiyono, 2021). According to Brigham & Houston (2014) in (Mayangsari, 2018) the capital components used by companies must be optimal, such as company debt and company capital to get high profits.

Earnings Per Share

Shared earnings are the most interesting part for investors when deciding to invest their money in a company (Pioh et al., 2018). Signal theory explains that if investors observe profits, then the profits obtained by the company reflect the company's success, namely that higher profits will have an impact on the greater the company's ability to distribute income to its shareholders (Kusumaningrum et al., 2022).

Sales Growth

Sales growth is the company's ability to see total sales or the amount of revenue obtained each year (Rahayu et al., 2020). Sales growth visualizes the company's performance during the previous period and is used to estimate future growth (Mawar Sharon R. Pantow, Sri Murni, 2015).

Company Size

The larger the size of the company, the easier it will be for the company to obtain funds for its operations (Rahayu et al., 2020). Based on agency theory, large companies that also have high agency costs tend to provide more comprehensive information or reports to reduce agency costs (Kusumaningrum et al., 2022).

Framework

In this research, an analysis of fundamental factors will be carried out, namely profitability (ROA), capital structure (DER), earnings per share (EPS), sales growth (Growth Sales), and company size (Size), as well as how these factors influence the company value (PBV) in the plastics and packaging industry listed on the IDX during the 2018-2022 period. The following is the conceptual framework in research:

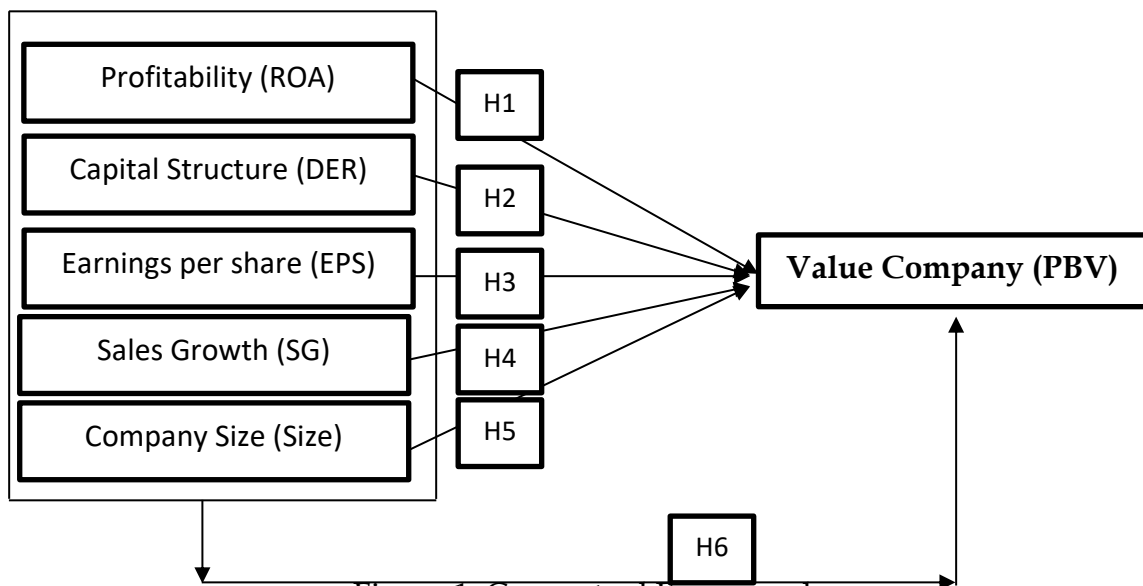


Figure 1. Conceptual Framework

Hypothesis

H1: Profitability (ROA) has an effecti significanti toi the value of the company

H2: Capital structure (DER) has an effecti significanti toi marki company

H3: Earnings per share (EPS) does not significantly influence company value

H4: Growthi sales (Sales Growth) does not have a significant effecti toi the value of the company

H5: Sizei companyi Noi have a significant influencei toi the value of the company

H6: There is a significant influence of all independent variables (x) on the dependent variable (y) in this model.

METHODOLOGY

The type of method used is a quantitative research method, where this approach describes data using numbers. This research is included in associative research. This research has one dependent variable which is company value and five independent variables, namely: profitability, capital structure, earnings per share, sales growth and company size. The purpose of this research is to determine the influence of the factors previously mentioned (profitability, capital structure, earnings per share. This research examines the influence of sales growth and company size on the value of plastics and packaging companies listed on the Indonesian Stock Exchange.

Handayani (2020) defines population as all elements that have the same characteristics and must be researched, including people from a group, event, or other subject of interest. Population is a generalization area Which consists above object or subject thati have certain qualities and characteristics that set by researchers for studied and then conclusions are drawn (Sugiyono, 2015).

This research covers all plastic and packaging industry companies on the IDX in the 2018-2022 period, totaling 15 plastic and packaging companies. According to Sugiyono (2016:156) in methodi recruitment sample, Research usesi purposive sampling strategy, namely a sample selection method based oni criteriai certain conditions (Sintyana & Artini, 2018). The objects of observation that are taken into consideration are companies that are officially registered and actively operating within the specified observation period, namely from 2018 to 2022.

And the audit results revealed that there were 4 companies registered after 2019 and 2 other companies had no financial reports during the observation period. So the number of samples in this research is 9 plastic and packaging companies registered on the IDX in 2018-2022, as follows:

No.	Code	Name of Firm	IPO Date
1	AKPI	Argha Karya Prima Industry Tbk	18 Dec 1992
2	APLI	Asiaplast Industries Tbk	1 May 2000
3	BRNA	Berlina Tbk	6 Nov 1989
4	FPNI	Lotte Chemical Titan Tbk	21 Mar 2002
5	IGAR	Champion Pacific Indonesia Tbk	5 Nov 1990
6	IPOL	Indopoly Swakarsa Industry Tbk	9 Jul 2010
7	TALF	Tunas Alfin Tbk	17 Jan 2014
8	TRST	Trias Sentosa Tbk	2 Juli 1990
9	YPAS	Yanaprima Hastapersada Tbk	5 Mar 2008

Source : Indonesia Stock Exchange (IDX) 2023

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