CHAPTER 1

INTRODUCTION

According to the Central Statistics Agency's official statistical news for Indonesia's economic growth in the first quarter of 2020, the manufacturing industry sector contributes a lot far more to the national gross domestic product (GDP) structure at 19.98 percent, followed by wholesale-retail trade at 13.20 percent, car-motorcycle repair at 13.20 percent, and agriculture, forestry, fisheries at 12 percent, and construction at 10.70 percent. Furthermore, Indonesia's Ministry of Industry reported that the non-oil and gas processing industry was still the sector that contributed the most to the country's overall export value. The overall value of commodity exports in the manufacturing sector exceeded US $ 60.76 billion in the first semester of 2020, contributing to 79.52 percent of the total national export figure of US $ 76.41 billion.

Manufacturing companies were selected as the research topic because manufacturing companies listed on the Indonesia Stock Exchange (IDX) experienced a yearly increase which included a variety of industrial subsectors, allowing them to represent the entire stock market. Furthermore, a manufacturing company sells its goods after an uninterrupted production process that begins with the purchase of raw materials and ends with the processing of materials into products that are ready for sale, requiring good capital and asset management to produce large profits and provide a return on investment. The substantial sum entices investors to invest.

Company value is crucial because it represents a company's success, which can impact investors' expectations of the company. Strong company success is based on high company values. The higher the stock price, the more valuable the company is. The aim of business owners is for a high company value since a high value means that the wealth of shareholders is also high. The wealth of shareholders and the company is represented by market rates, which are a result of investment decisions, funding (financing), and asset management. (Rodoni & Ali, 2014). One approach in determining stock valuation can be seen from Tobin's Q which can provide the best information because Tobin's Q includes all the elements of debt and share capital of the company, not only ordinary shares and not only the company's equity that is included but all the company's assets. The higher Tobin's Q value, the better the company's growth prospects. This can happen because the greater the market value of a company's assets relative to its book value, the more likely investors are to make greater sacrifices to choose the company. (Weston & Copeland, 2010).

Investors consider profitability to be a good indication that the company value will rise. High profitability implies a strong company's prospects, which can entice investors to raise demand for shares, thus rising the company value. (Oktaryani & Mannan, 2018). Companies with a high ROA give optimistic messages to investors about the company's potential prospects. (Kusumawati & Rosady, 2018).

H1: Profitability has a significant effect on company value.

Investors consider the company's current ratio factor when investing since the current ratio demonstrates the company's ability to fulfill its current obligations, and investors are interested in seeing the company's liquidity (Hasania et al., 2016). Liquidity may show the funds available to pay dividends, finance business activities, and make acquisitions, allowing investors to improve their expectations of company success. This is because companies that have a high level of liquidity have large internal funds so that companies also use their internal funds first to finance their investments before using external financing through debt. This can increase investor demand for increased company shares. An increase in demand for shares will increase company value (Ngurah et al., 2016).

H2: Liquidity has a significant effect on company value.

Leverage owned by the company is an important consideration for investors in investing. This is because the increase in leverage within the company is considered a positive signal for the company to invest in the company in the future, with the hope that the company's revenue will increase. As a result, investors want to invest in the company. (Linawaty & Ekadjaja, 2017).

H3: Leverage has a significant effect on company value.

Large companies are considered to have good operational performance and have stable finances so that the financial stability they have tends to attract investors because they are considered to have good performance and promise to repay returns on investments so that the company value increases. Furthermore, a large company size will also be easy to get funds from third parties, namely creditors by submitting large assets, this is sure to make it easier for companies to make new investments related to expansion which can make the company more rapidly growing, this is seen by investors as a positive signal that can increase company value (Aldi et al., 2020).

H4: Company size has a significant effect on company value.

Many groups, such as investors, creditors, or other external parties with similar interests, are focused on dividend policy. Dividends are a prerequisite for the company's prospects. The higher the dividends paid to shareholders, the better the company's output and the higher the company value. (Anggraeni & Sulhan, 2020; Karlina et al., 2019; Safitri & Suwitho, 2015).

H5: Dividend policy can moderate the effect between profitability, liquidity, leverage, and company size on company value.