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Effect of Growth, Liquidity, Business Risk and Asset Usage Activity, Toward Capital Structure, Financial Performance and Corporate Value (Study at Manufacturing Companies Listed in Indonesia Stock Exchange in 2010-2015)

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Abstract
This research is motivated by the thought that there is contradiction in the capital structure theory and empirical findings about the previous peneltian funding policy that can improve financial performance and corporate value. Analysis techniques, using the Generalized Structured Component Analysis (GSCA). Data sampled 84 companies listed in Indonesia Stock Exchange in 2010 to 2015.This study aims to examine and explain the effect of the company's growth, liquidity, business risk, and asset usage activity on the capital structure, financial performance and corporate value. Test and explain the effect of capital structure on the financial performance and corporate value. Test and explain the effect of the financial performance of the corporate value.The findings of this study is the company's growth has a significant positive impact on capital structure, financial performance, and corporate value. Liquidity significantly negatively impacts the capital structure, and is positively positive on the financial performance and firm value. Business risk positively affects the capital structure, and negatively the financial performance and firm value. Activity usage of assets has a significant negative effect on capital structure, and significant positive to financial performance dap corporate value. The capital structure has a significant negative effect on financial performance, and is significantly positive to firm value. Financial performance has a significant positive effect on firm value. The study concludes that company growth, liquidity, business risk, and asset usage activities can determine the capital structure, financial performance and firm value. Therefore, the company's management and financial analysts can examine the company's growth variables, liquidity and asset usage activities, capital structure, business risk and financial performance to predict the future value of the company.
Keywords: Growth, Liquidity, Business Risk, Activities, Capital Structure, Financial Performance, Corporate Values.

1. Introduction

The purpose of adding investment is to supplement income in the future and have a positive impact on stock value. Firms 'value according to investors' perceptions of companies is often linked to stock prices. Irrelevance Theory (Modigliani and Miller, 1958) explains that investment decisions and asset usage activities determine performance and impact on firm value. High asset usage activities reflect efficiency in asset management, which can improve profitability. Capital structure decisions have implications for the cost of capital, financial performance and firm value. It therefore becomes interesting to examine more about company growth, liquidity, business risk, and asset usage activities, capital structure, financial performance and corporate value.

Departing from the idea that the suitability of investments to maintain or enhance the company's growth, increase asset usage activities, manage liquidity appropriately, manage business risk well, determine optimal capital structure, and then determine financial performance and firm value. It is therefore suspected that there is a comprehensive influence between corporate growth, liquidity, asset usage activities, business risk, capital structure, financial performance, and firm value. Therefore, this research model was built by involving the 7 variables, and based on previous theoretical studies and research studies.

Empirically this research is development of previous research that is: Kouser et al. (2012); Oluwagbemiga (2013); Omondi and Muturi (2013); Çekrezi (2013); Adi et al. (2013); Gathogo and Ragui (2014); Asiri and Hameed (2014); Chukwunweike et al. (2014); Siahaan et al. (2014); Masoud (2014); Barakat (2014) which assesses the impact of corporate growth, liquidity, business risk, capital structure and financial performance, on firm value. This study developed a more comprehensive concept model, by increasing the number of indicators in each variable, and also adding new variables into the previous research model, and using the "Generalized Structured Component Analysis (GSCA)" analysis tool capable of analyzing data To the variables studied in structure, and the number of indicators that many.

The novelty of this research is to increase the variable of asset usage activity as a variable affecting capital structure, financial performance and firm value, which in previous empirical research has not been studied. In terms of asset usage activities have an important role in determining the capital structure, financial performance and corporate value. The use of assets is an operational activity to generate income that impacts the capital structure, financial performance and corporate value. The originality of this research lies in providing empirical evidence of the influence of asset use activities, capital structure, financial performance and firm value. It is expected to provide a deeper understanding of the important role of asset usage activities to determine the capital structure that has an impact on improving financial performance and firm value.

2. Literature Review

2.1 The Effect of Corporate Growth on Capital Structure

Pecking order theory (Myers and Majluf, 1984) describes the growth of companies affecting the capital structure. Companies with high growth opportunities will have a high proportion of debt capacity. Research findings conducted by Tronyeva (2013) found firm growth has a significant and positive impact on capital structure, supporting pecking order theory. The theoretical implication of the study is that the increase in corporate growth will increase the capital structure. While Gathogo and Ragui (2014) found firm growth has an insignificant and positive effect on capital structure.

Agency theory (Jensen and Meckling, 1976) argues that firms with high growth, are more flexible to invest and seek to reduce the costs of debt. Findings of research conducted by Nyang'oro (2013), Oppong-boakye *et al.* (2013), Masoud (2014), Saeed *et al.* (2014) found that corporate growth had a significant and negative impact on capital structure, supporting agency theory. The theoretical implications of the empirical study are that the increase in corporate growth will decrease the capital structure. While Sangeetha (2013), and Anake *et al*. (2014) found that corporate growth had an insignificant and negative effect on capital structure. The theoretical and empirical explanations show that company growth has a positive and negative impact on capital structure**.**

2.2 The Effects of Corporate Growth on Financial Performance

The goal of increasing investment is to make the company grow into a larger company and be able to compete on a larger economic scale to gain profit and provide maximum wealth for the owners of the company, with the company's growth achieved to improve financial performance. The influence of corporate growth on financial performance, explained by permanent income hypothesis (Friedman, 1957) says that future income expectations will determine the amount of wealth available for consumption. Future income expectations can be achieved by making current investments to earn income in the future.

Chandler and Jansen (1992), Cowling (2004) suggests that company growth has a positive effect on profitability. Jang and Park (2011) argue that increasing growth, will also increase profitability. Reinforced research conducted by Kouser et al. (2012) found that firm growth had a significant positive effect on profitability. The theoretical implications of the empirical study are the increase in corporate growth will improve financial performance.

Reid (1995) found that company growth had a significant and negative impact on profitability. The theoretical implications of the empirical study are the increase in the company's growth impact on the decline in profits. This can be due to high investment growth, as well as large expenditures for investment, and the receipt of returns takes a long time. Thus, in the short term the company has not been able to obtain an adequate profit, but will gain profits in the future.

2.3 The Effects of Corporate Growth to Company Value

The purpose of adding investment is to supplement income in the future and have a positive impact on stock value. The value of the firm is equal to the stock price, ie the number of shares multiplied by the market value per sheet plus the value of the debt, where the value of the debt is considered constant, then any increase in stock price will increase the value of the company, or decrease the stock price will decrease the company value (Kamaludin and Indriani, 2012: 4).

The growth of the firm affects the firm's value, as described by permanent income hypothesis (Friedman, 1957) says that future income expectations will determine the amount of wealth available for consumption. Future income expectations can be achieved by making current investments in future earnings, reinforced by irrelevance dividend theory (Miller and Modigliani, 1961) argue that investment is superior to dividend policy in creating corporate value. Delaying current dividend payments, as existing funds are used to finance corporate growth, and high corporate growth leads to capital gains for investors.

Myers (1977) and Kester (1986) tested the important role of corporate growth in creating corporate value. Predicting the value of a company with asset growth, and identifying some types of internal and external corporate development that are generally seen as future corporate investment opportunities that value the company. Companies that have high growth opportunities provide a positive signal about the prospects of the

company in the future. Therefore, investors are more interested in investing in companies with high growth opportunities, and less interest to invest in low-growth companies (Al-Najjar and Taylor, 2008).

Ghalandari (2013) and Oluwagbemiga (2013) examine the effect of firm growth on firm value, finding that company growth has a significant and positive impact on firm value, supporting permanent income hypothesis, and irrelevance dividend theory. The theoretical implications of the empirical study are that increasing the growth of the firm will increase the value of the firm.

Research conducted by Chowdhury and Chowdhury (2010) and (Pakpahan, 2010) found firm growth to have an insignificant and negative effect on firm value. The negative impact of corporate growth on corporate value, means that increased growth of the company will lower the value of the company. Not significant means it only happens to certain companies, so it can not be generalized.

2.4 The Effect of Liquidity on Capital Structure

Liquidity is the ability of companies to pay debts that will soon mature by using cash and current assets that will be converted into cash (Sarlija and Harc, 2012). The company in operation always strives to maintain liquidity, or the ability to execute the obligations on time.

Pecking order theory (Myers and Majluf, 1984) states that companies with high liquidity have financial flexibility, and large internal funds can be used to re-invest in projects that are net present value positive, so they do not need to be in debt, Internal to pay the debt, so as to reduce the interest expense.

Research conducted by Sarlija and Harc (2012), Oolderink (2013), Saeed et al. (2014), Podar and Mital (2014), Masoud (2014) found liquidity to have significant and negative impact on capital structure, supporting pecking order theory. The theoretical implication of empirical abuses is that increasing liquidity will decrease the capital structure. Çekrezi (2013) found liquidity to have an insignificant and negative effect on capital structure.

Research conducted by Kajananthan and Achchuthan (2013), Sangeetha (2013) found liquidity has a significant and positive impact on capital structure. The theoretical implication of empirical abuses is that increasing liquidity will increase the capital structure. This can happen because the company uses a liquid asset as a mechanism (guarantee) to obtain a loan. The theoretical and empirical explanations show that liquidity has a positive and negative impact on capital structure.

2.5 The Effect of Liquidity on Financial Performance

The Company in operation always strives to maintain liquidity, or the ability to execute its obligations on time. Managing liquidity is an important thing that can cause a company to be lucky if done properly, can also cause the company to lose if done inappropriately. Omondi and Muturi (2013) concluded that liquidity plays an important role in improving the company's financial performance. Thus, firms with optimal liquidity levels also have better financial performance as a result of trade-off risk and return. Liquidity affects financial performance, as described by Raheman and Nasr (2007), said that liquidity management directly affects the profitability of the company, is also important because it can trade-off liquidity and profitability, if the company mismanaged liquidity, then the company tends to fail (Raheman et al ., 2010).

Research conducted by Kaddumi and Ramadan (2012), Alzorqan (2014) found liquidity has a significant and positive impact on financial performance. The theoretical implications of empirical abuses are that increasing liquidity will improve financial performance to some extent. Omondi and Muturi (2013) found liquidity to have an insignificant and positive effect on financial performance.

Research conducted by Asaduzzaman and Chowdhury (2014) found liquidity has a significant and negative impact on profitability or financial performance. The theoretical implication of empirical abuses is that increasing liquidity will reduce profitability, because companies that have liquidity that exceeds the liquidity requirement in fact there will be many current assets that are unemployed so inefficient use of current assets, resulting in increased cost of managerial policies that reduce the profitability of the company. The empirical study, consistent with the theory of working capital management (Hanafi, 2010: 519 - 520). The theoretical and empirical explanations show that liquidity has a positive and negative impact on financial performance.

The effect of liquidity on financial performance can be concluded that liquidity reflects the adequacy of cash flow in settling short-term debt, so the company does not experience operational problems that adversely affect the financial performance. Financial performance is a company's ability to manage finances to generate cash inflows, including profits so that cash is always available to settle debt payments that will soon mature.

2.6 The Effects of Liquidity to Corporate Value

Liquidity effect on the value of the company, as described by singalling theory states that the company's ability to pay short-term debt and long-term debt portion paid immediately show the company's financial flexibility. Liquidity is a positive signal for the capital market. The more a company's current debt, then investor confidence will increase, investors and creditors will provide the opportunity for businesses to thrive and obtain optimal gains further increasing the share price and number of shares of the company (Khodamipour et al., 2013).

Research conducted by Khodamipour et al. (2013), Siahaan et al. (2014) found liquidity to have a significant and positive impact on firm value, supporting singalling theory. The theoretical implications of empirical abuses are that increasing liquidity to some extent increases the value of the firm.

While agency theory (Jensen and Meckling, 1976) says that the high free cash flow could lead to agency problems that adversely affect the value of the company, to reduce the agency problem can be done by dividing the dividend and reduced free cash flow. Liquidity is too high identical with high free cash flow will lower the value of the company. Research conducted by Asiri and Hameed (2014) found that liquidity negatively affects firm value, supporting agency theory. The theoretical implications of empirical abuses are that increasing liquidity to some extent will lower the value of the firm. The theoretical and empirical explanations show that liquidity has a positive and negative impact on firm value.

2.7 The Effect of Business Risk on Capital Structure

Business risk affects the capital structure, as explained by Frank and Goyal (2009) says that the characteristics of a company such as business risk influence capital structure decisions. Trade off theory explains when the high profit volatility, then the company should reduce the use of debt. High debt usage will increase the fixed cost of potentially increasing risk. Higher operating risks combined with higher financing risks will lead to bankruptcy (Myers, 1984).

Research conducted by Oolderink (2013), Akorsu (2014) found business risks have a significant and negative impact on capital structure. The theoretical implications of the empirical study are the increased risk of lowering the capital structure. While Anake et al. (2014) found business risk to have an insignificant and negative effect on capital structure.

Research conducted by Çekrezi (2013), Saeed et al. (2014) found business risk to have a significant and positive impact on capital structure. The implication of this empirical study is the increased risk of increasing the capital structure. While Tronyeva (2013), Oppong-boakye et al. (2013), Gathogo and Ragui (2014) business risks have an insignificant and positive effect on capital structure. The theoretical and empirical explanations show that business risk has a positive and negative impact on capital structure.

2.8 The Effects of Business Risk on Financial Performance

The expectations of the owners and management of the company are an increase in profits every year, but expectations are always faced with uncertainty. The life journey of a company is not always smooth, because everything can happen beyond the previous guess and it is a risk of uncertainty in living a business, usually called business risk. Keown et al. (1999: 494-496) said that business risk is the uncertainty or deviation of income before interest and taxes, as well as the risks contained in the financing used.

Business risk affects financial performance, as explained by trade off theory (Modigliani and Miller, 1963) said that the increased risk of business will decrease profitability, as rising risks along with rising operating costs will impact the decrease in operating income. Research by Adi et al. (2013), Chukwunweike et al. (2014) found business risk to have a significant and negative effect on financial performance, supporting trade off theory. The theoretical implications of the empirical study are the increased risk of business will degrade financial performance.

2.9 The Effects of Business Risk on Corporate Value

Business risk affects the firm's value, as explained by leverage irrelevance theory (Modigliani and Miller, 1958) says that the return on investment (cash flow) and risk determines the value of the firm. Asiri and Hameed (2014) the study found business risk to have a significant and positive impact on firm value. The implication of this empirical study is that increasing the business risk will increase the value of the company. This happens, if investors expect a high rate of return by raising the company's stock price to offset the high risk. The theoretical and empirical explanations show that business risks have a positive and negative impact on firm value.

2.10 The Effects of Asset Use Activities on Capital Structure

Leverage irrelevance theory (Modigliani and Miller, 1958) argues that investment decisions determine profits and impact on firm value. The logic of the investment decision decides what investment is chosen, how much its investment value, when and where the investment is implemented. Once the investment is made, it will then carry out production process activities using assets already allocated for use by the company to cause goods or services to be sold and resulting in income. So investment decisions alone are not enough to have an impact on financial performance and firm value, but must also be supported by effective and efficient asset usage activities to generate income or profits.

"Firm invests funds of outsiders (lenders and creditors) and shareholders in various assets in business to make sales and profits. The better the management of assets, more would be sales and higher would be the profit. Activity ratios reflect the management of assets and their effective utilisation. If assets are converted into sales,

with speed, profits would be more. Activity ratios bring out the relationship between the assets and sales" (Gopal, 2009: 207).

The use of assets should be used effectively in order to maximize profits (Kamaludin and Indriani, 2012: 44). Activity usage of assets can be measured by current asset turnover, inventory turnover, receivable turnover, fixed assets turnover, and asset turnover (Hanafi, 2010: 38-40) The level of asset usage activity determines the funding mechanism. The funding mechanism reflects the company's capital structure. Increased asset usage activity will reduce the debt ratio in the capital structure. The higher asset turnover ratio means the faster the refunds into the company, so that internal funds are available enough to re-invest, and can reduce the use of debt.

The effect of asset usage on capital structure, as described by Pecking order theory (Myers and Majluf, 1984) states that companies operating effectively and efficiently have high profits, as well as own and internal (retained earnings). Companies that use their assets effectively and efficiently will reduce the use of debt to reduce debt costs. The theoretical implications of the study of the effect of asset usage on the capital structure is the increase in the asset utilization ratio of the assets will decrease the capital structure.

2.11 The Effects of Asset Use Activities on Financial Performance

According to Gopal an increase in asset usage activity will improve financial performance. If firms use assets more efficiently, then sales will be higher and profits will also rise. The activity ratio is called the turnover ratio. This ratio is calculated by dividing sales by total assets. The activity ratios used to evaluate the efficiency of how firms manage and utilize assets. The importance of a company's ability to manage assets to make sales demonstrate operating performance (Gopal, 2009: 2012). High operating performance has a positive impact on financial performance. The theoretical implications of the study of the effect of asset usage on financial performance is an increase in asset usage ratio will improve financial performance.

The Du-Pont analysis provides an analytical framework that links the activity ratio and net profit margin determines return on asset. Then return on asset and debt ratio determine return on equity. Du-Pont analysis states that the effective and efficient use of assets will reduce costs, so as to increase profits and provide wealth to the owners of the company (Hanafi, 2010: 51-52).

2.12 The Effects of Asset Use Activities on Corporate Value

The asset usage activity will determine the amount of cash inflows for each period, and the availability of cash flows in the current period to be reinvested in the firm's assets will determine how much of an additional external funding source, the operation of each fund embedded in the assets to be used effectively and May result in maximum investment gains (Kamaludin and Indriani, 2012: 44). The purpose of asset use is to profit, ultimately adding value to the company. The theoretical implications of the study of the effect of asset usage activity on firm value is the increase of asset usage ratio will increase firm value.

2.13 The Effect of Capital Structure on Financial Performance

The influence of capital structure on financial performance, as explained by pecking order theory (Myers and Majluf, 1984) predicts a negative correlation between profitability and capital structure. High corporate debt will increase the fixed costs of debt along with additional debt, and transaction costs, debt agency costs, will force cash outflows that negatively impact financial performance as well as the probability of bankruptcy if the company is experiencing financial difficulties, supported research conducted by Umar et al. (2012), Ogebe (2013), Bokhari and Khan (2013), Omondi and Muturi (2013), Pontoh and Ilat (2013), Chukwunweike et al. (2014), Marobhe (2014) found that capital structure has a significant and negative effect on financial performance. The implication of the empirical study is the improvement of capital structure to some degree will reduce the financial performance.

Capital structure has an important role in determining the company's financial performance, as explained by pecking order theory (Myers and Majluf, 1984) states that companies prefer internal funding sources rather than external funding sources. So companies with large retained earnings will reduce the use of debt, because high debt will add a fixed cost that negatively impacts financial performance. The ordering of funding preferences is from one, most sensitive to the other, due to asymmetric information between the management of more informed companies and market participants (investors and potential investors) who lack information about the condition of investment assets and opportunities and future prospects (Myers and Majluf, 1984).

Trade off theory (Modigliani and Miller, 1963) predicts a positive correlation between capital structure and profitability or financial performance. Reduced interest on debt on the calculation of taxable income will reduce the proportion of the tax burden, so net profit after tax becomes greater available for the shareholders. The net after-tax earnings available to shareholders can be measured by return on equity. The existence of trade off the tax benefits on the cost of debt, so that companies benefit from tax benefits on debt and a positive impact on financial performance, means an increase in debt ratio will improve financial performance. The theoretical and empirical explanations show that the capital structure has a positive and negative impact on financial

performance.

2.14 The Effect of Capital Structure on Corporate Value

The capital structure affects the firm's value, as explained by trade off theory, pecking order theory, and leverage signaling theory that capital structure has significant effect and direction of positive relation to firm value. Trade off theory (Modigliani and Miller, 1963) predicts a positive relationship between capital structure and firm value with the assumption of tax benefit is still greater than the cost of financial difficulties and agency costs, the tax advantages on the use of debt will have a positive impact on firm value (Barakat, 2014).

Pecking order theory (Myers and Majluf, 1984) argues that if firms are willing to use external sources of funding, they must choose debt first before new equity, because debt is cheaper and less sensitive to asymmetric information, so the capital market will react positively to debt issuance and Making the company's stock price rise. Conversely, if the company wants to issue new shares, the costs are higher and very sensitive to asymmetric information, so the capital market will react negatively to the issuance of new shares, and make the company's stock price down.

Leverage signalling theory (Ross (1977) argues that debt is a credible signal about the quality and prospects of the company in the future, so that the market will react positively to the firm's stock price.The research that examines the effect of capital structure on firm value is research conducted by Chowdhuri and Chowdhuri (2010), Ogbulu and Emeni (2012), Oluwabemiga (2013), Barakat (2014), Isaac (2014) found that capital structure has a significant and positive effect on firm value Supportive trade off theory (Modigliani and Miller, 1963), pecking order theory (Myers and Majluf, 1984), and leverage signalling theory (Ross (1977). The theoretical implications of empirical studies are the improvement of capital structure to some degree will increase the value of the company.

Research conducted by Ghalandri (2013), Adi et al. (2013), Asiri and Hameed (2014), Siahaan et al. (2014) found that capital structure has significant and negative effect on firm value. The theoretical implication of the empirical study is the improvement of capital structure to some degree will decrease the value of the company. Research conducted by Ghalandri (2013), Adi et al. (2013), Asiri and Hameed (2014), Siahaan et al. (2014) does not support trade off theory (Modigliani and Miller, 1963), pecking order theory (Myers and Majluf, 1984), and leverage signalling theory (Ross (1977). The theoretical and empirical explanations show that capital structure has a positive impact and negative to firm value.

2.15 The Effect of Financial Performance on Corporate Value

Cash flow signaling hypothesis and permanent earnings hypothesis (Litner, 1956); (Marsh and Merton, 1987) stated that high profitability shows high financial performance, and is a signal that the company has good quality control and performance as well as better future prospects. Irrelevance theory (Modigliani and Miller, 1958) explains that investment decisions and asset usage activities determine performance and impact firm value, strengthening Cash flow signaling hypotheses and permanent earnings hypotheses (Litner, 1956). High profitability affects the company's financial flexibility, so that the company is able to pay dividends to shareholders. The company will get a positive assessment by the capital market, and raise its share price. Profitability gained will greatly determine the life of a sustainable company, and the company will grow depending on one of the additional capital of the profits gained. The ability of the firm to produce profits will determine the ability to provide funds to finance the company's growth and dividends for owners, ultimately the wealth of owners increases.

Many investors are interested in buying stocks from high performing companies, the more will buy the price will rise (the law of demand and supply), will happen otherwise if the company performs low. Ghosh and Arijit (2008) explained that financial performance has a positive impact on company value. Increased profits provide a signal that better control and operations of the company, thus giving an impact on the increase in the value of equity.

Research conducted by Ghosh and Arijit (2008), Adi et al. (2013), Asiri and Hameed (2014) found financial performance to have a significant and positive impact on firm value, supporting Irrelevance theory (Modigliani and Miller, 1958) and Cash flow signalling hypothesis and permanent earnings hypothesis (Litner, 1956). The theoretical implications of the empirical study are the improvement of financial performance will increase the value of the company.

Hypothesis

The formulation of research hypothesis is based on the description of introduction and theoretical overview. Thus, 15 (fifteen) research hypotheses are formulated as follows:

H1: Corporate growth has a significant effect on capital structure.
H2: Corporate growth has a significant effect on financial performance.
H3: Corporate growth has a significant effect on company value.
H4: Liquidity has a significant effect on capital and structure.

H5: Liquidity has a significant effect on financial performance.
H6: Liquidity has a significant effect on company value.
H7: Business risk has a significant effect on capital structure.
H8: Business risk has a significant effect on financial performance.
H9: Business risk has a significant effect on company value.
H10: Activity usage of asset have significant effect to capital structure.
H11: Activity usage asset significant effect to financial performance.
H12: Activity usage of asset have significant effect to company value.
H13: Capital structure has a significant effect on financial performance.
H14: Capital structure has a significant effect on company value.
H15: Financial performance has significant effect on company value.

3. Research Methodology

3.1 Research Population

The population in this study is all manufacturing companies listed on the Indonesia Stock Exchange (BEI), with observation period from 2010 to 2015 amounted to 146 companies. Therefore, the unit of analysis in this study is manufacturing company. The total sample is 84 manufacturing companies for 6 years, 504 pooling of data by using purposive sampling method, that is forming sample from the population based on certain criteria.

3.2 Data

The type of data used in this study is secondary data in the form of financial statement documents and annual reports of companies, fact book Indonesia Stock Exchange. The data source used is Indonesian Stock Exchange (IDX). Based on dimensions of time and chronology, this study is cross-sectional and time series or panel data, the data are obtained by using the techniques of data collection from website *http://www.idx.co.id*.

3.3 Variables Measure

This study follows the standard practice in the literature findings both theoretically and empirically. This study consists of seven studied variables, namely: Company Growth, Liquidity, Business Risk, Asset Use Activity, Capital Structure, Financial Performance and Company Value.

3.3.1 Exogenous Variable of Company Growth (X1)

The growth of the company is the ability of the company in developing its business in a sustainable manner and its assets increase from time to time. The company's growth indicators are among others: sales growth, profit growth, asset growth. Sales growth (sales growth) is the change in the number of sales findings within a certain time. Sales growth is used to measure a company's ability to expand product sales to meet additional revenue within a certain time frame. Referring to the research of Saeed et al. (2014) sales growth is calculated by the following formula:

$$Sales\ growth\ = \frac{Net\ sales\ in\ the\ year\ t_1 - Net\ sales\ in\ the\ year\ t_0}{Net\ sales\ in\ the\ year\ t_0} x\ 100\%$$

Where t_1 is the total sales in the year sought, and t_0 is the total sales in the previous year.

Profit growth is the change in the amount of profit earned in a given time. Profit growth (profit growth) is used to measure the ability to find additional profits from corporate activities within a certain time.

$$Profit\ growth = \frac{Profit\ in\ the\ year\ t_1 - Profit\ in\ the\ year\ t_0}{Profit\ in\ the\ year\ t_0} x\ 100\%$$

Where t_1 is the total profit in the year sought, and t_0 is the total profit in the previous year.

Asset growth is the change in the number of assets held by a company within a certain time. Asset growth is used to measure a company's ability to increase the number of assets held by the company over time. Referring to the research of Saeed et al. (2014) asset growth is calculated by the following formula:

$$Assets\ growth = \frac{Total\ assets\ \ in\ the\ year\ t_1 - Total\ assets\ in\ the\ year\ \ t_0}{Total\ assets\ in\ the\ year\ \ \ t_0} x\ 100\%$$

Where t1 is the total book value of the asset in the year sought, and t0 is the total book value of the asset in the previous year. Company growth is predicted as a determinant of capital structure, financial performance and corporate value.

3.3.2 Exogenous Variable of Liquidity (X2)

Liquidity is the company's ability to settle debt payments that will soon mature. Liquidity is cash and current assets that will be converted into cash. Referring to the research of Oolderink (2013); Çekrezi (2013); Saeed et al. (2014). Liquidity will be measured using current asset ratio, cash ratio and current ratio to current liabilities. Liquidity indicators are calculated as follows:

$$Current\ ratio = \frac{Total\ current\ assets}{Total\ current\ liabilities}\ \text{x}\ 100\%$$

$$Cash\ ratio = \frac{Cash\ and\ cash\ equivalent}{Total\ current\ liabilities} \text{ x } 100\%$$

$$Quick\ ratio = \frac{Cash\ and\ cash\ equivalents\ +\ accounts\ receivable}{Total\ current\ liabilities} \text{ x } 100\%$$

Liquidity is predicted as a determinant of capital structure, financial performance and corporate value.

3.3.3 Exogenous Variable of Business Risk (X3)

Business risk is the uncertainty that makes a deviation to the cash flow from an investment and a company's operations as well as the risks contained in the financing used. Business risk is used as a determinant of capital structure, financial performance and corporate value. Business risk will be calculated by measuring changes from EBIT's annual earnings before interest and tax: EBIT. Business risk refers to deviations from earnings before interest and taxes (EBIT). The EBIT current dispersion in the firm as measured by its deviation coefficient (standard deviation) is the finding of some causally related effects. The business risk indicator is calculated as follows: Standard deviation can be known first average retun assets by:

$$Average\ return = \frac{\sum_{t=1}^{n} Return\ on\ year\ t}{Number\ of\ years} = \frac{\sum_{t=1}^{n}(k_t)}{n}$$

$$Standard\ deviation = \sqrt{\frac{\sum_{t=1}^{n}(Return\ on\ year\ t\ -\ Average\ return\ )^2}{Number\ of\ years\ -1}}$$

$$\sigma = \sqrt{\frac{\sum_{t=1}^{n}(k_t - \bar{k})^2}{n-1}}$$ (Keown *et al*., 1999: 208-209)

It could also be business risk measured by the standard deviation of EBIT / EBIT average value, referring to Çekrezi (2013); Masoud (2014); Gathogo and Ragui (2014). As an alternative try to use and standard deviation of net profit after tax (earnings after tax: EAT). Business risk is predicted as a determinant of capital structure, financial performance and corporate value.

3.3.4 Exogenous Variable of Asset Use Activity (X4)

Asset usage activities should be used as efficiently as possible in order to meet the maximum benefits of the company's investment. Variable asset usage activities are measured by current asset turnover (CATO), Inventory Turnover (ITO) Turnover, Receivable Turnover (RTO), Fixed Asset Turnover (FATO), Total Asset Turnover or Total assets turnover (TATO). Referring to Hanafi (2010: 38-40), Kamaludin and Indriani (2012: 44-45). Activity ratio is calculated as follows:

$$Current\ assets\ turnover\ (CATO) = \frac{Net\ Sales}{Current\ asset}$$

$$Inventory\ turnover\ (ITO) = \frac{Net\ Sales}{Inventory}$$

$$Receivable\ \ turnover\ (RTO) = \frac{Net\ Sales}{Receivable}$$

$$Fixed\ assets\ turnover\ (FATO) = \frac{Net\ Sales}{Fixed\ assets}$$

$$Total\ assets\ turnover\ (TATO) = \frac{Net\ Sales}{Total\ assets}$$

The activity ratio describes how much efficiency and effectiveness of asset use by the company, and how much funding is embedded in each group of company assets. If funds embedded in a particular asset are large enough, while those funds should be used for investment in more productive assets, then profitability is not as good as it should be. If firms use assets more efficiently, then sales will be higher and profits will also rise. Activity asset usage is predicted as determinant of capital structure, financial performance and firm value.

3.3.5 Exogenous Variable of Capital Structure (Y1)

Capital structure is a combination of debt and equity in funding a company's assets is called leverage. Capital structure indicators are among others: total debt to total assets ratio (DAR), debt to equity ratio (DER) and long term debt to equity (LTDTE).

Total debt to total asset ratio (DAR) is the ratio of total liabilities to total assets. Total debt to total assets ratio (DAR) is used to measure how much the company's assets are financed by debt. Referring to the research of Çekrezi (2013), and Chukwunweike et al. (2014) debt to assets ratio (DAR) is calculated as follows:

$$Debt\ to\ total\ assets\ ratio = \frac{Total\ debt}{Total\ assets}\ x\ 100\%$$

Debt to equity ratio (DER) is the ratio of total liabilities to total equity. Debt to equity ratio (DER) is used to measure how much its own equity (equity) as a guarantee against total liabilities.

$$Debt\ to\ equity\ ratio = \frac{Total\ debt}{Total\ equity}\ x\ 100\%$$

Long term debt to equity (LTDTE) is the ratio of total long-term liabilities with own capital (equity). Long term debt to equity (LTDTE) is used to measure how much equity is available to meet long-term liabilities. Referring to the research of Çekrezi (2013), and Chukwunweike et al. (2014), Long term debt to equity (LTDTE) is calculated as follows: $\text{Long term debt to equity} = \frac{\text{Total debt}}{\text{Total equity}}$ x 100%

Capital structure is predicated as a determinant of financial performance and corporate value.

3.3.6 Endogenous Variable of Financial Performance (Y2)

Financial performance is a finding of financial achievement that shows the ability of the company in managing assets owned and mengahsilkan profit. Financial performance is measured by return on assets (ROA), return on equity (ROE), net profit margin (NPM), and gross profit margin (GPM).

Return on assets (ROA) is a comparison of net income with total assets within a certain time. Return on assets (ROA) is used to measure a company's ability to manage assets to meet profits for the company, thereby increasing the company's financial capability to fund projects that have a "positive net present value". Referring to the research of Umar et al. (2012); Bkhari and Khan (2013). Return on assets (ROA) is calculated by the following formula:

$$Return\ on\ assets = \frac{Earning\ before\ \ interest\ \ and\ tax}{Total\ assets}\ x\ 100\%$$

Return on equity (ROE) is a comparison of net income after tax with total equity in a given time. Return on equity (ROE) is used to measure a company's ability to obtain net after-tax profits available to equity owners, thereby increasing the wealth of shareholders, as a result investors can assess management efficiency. Referring to the research of Barakat (2014). Return on equity (ROE) is calculated by the following formula:

$$Return\ on\ equity\ = \frac{Earnig\ after\ tax}{Equity} x\ 100\%$$

Net profit margin (NPM) is the ratio of net income to total net sales findings within a certain time. Net profit margin (NPM) is used to measure a company's ability to earn an average net profit per unit of sales, and measure sales performance. Referring to the research of Barakat (2014), Bkhari and Khan (2013) NPM is calculated by the following formula:

$$\text{Net profit margin} = \frac{\text{Earnig after tax}}{\text{Net sales}} x\ 100\%$$

Gross profit margin (GPM) is the ratio of gross profit to total net sales findings in a given time. Gross profit margin (GPM) is used to measure a company's ability to earn an average gross profit per unit of sales, as well as measure sales performance. Referring to the research of Almajali (2012) Gross profit margin (GPM) is calculated by the following formula:

$$Gross\ profit\ margin\ = \frac{Gross\ profit}{Net\ sales} x\ 100\%$$

Financial performance is predicted as a determinant of corporate value.

3.3.7 Endogenous Variable of Company Value (Y3)

The value of the firm is equal to the value of the debt plus the value of the stock market. Indicators of corporate value, among others: Closing Price (CP), Price to Book Value (PBV), Tobin's q. Closing Price (CP) is the price of shares traded on the capital market at the close of trading activities. In the company that will conduct the initial public offering can use the book value as a benchmark to assess the stock price. Price to Book Value (PBV) is the ratio of the stock market price to the book value of the stock, which indicates the value of the company according to the capital market valuation at any given time. Referring to the research of Ghalandari (2013) and Asiri and Hameed (2014). PBV is calculated as follows:

$$Price\ to\ book\ value = \frac{Stock\ market\ price}{Book\ value\ of\ stock}$$

If the PBV is 1 then the market price is proportional to the book value. If this ratio is less than 1 then the market price is less than the book value, PBV can also reflect the value of the company. Companies that run well generally have a PBV above 1 indicates a market value higher than the book value, the higher the PBV the higher the stock return. The higher the stock return will increase the company's revenue thus increasing the company's ability to pay dividends. In reality there are so many variations about PBV, that market price reflects investor's expectation price, if investor's expectation on one type of stock is high, so demand for stock is also high so that price in market is also relatively high. The market can also be lower than the value of his book, therefore it is tried using Tobin's q approach to measure the value of the company. Tobin's q is the market value of the equity plus the total debt of the firm divided by the total assets. Referring to the research of Adi et al. (2013). Tobin's q is calculated as follows:

$$Tobin's\ Q = \frac{Market\ value\ of\ equity\ \ +\ Total\ Debt}{Total\ \ assets}$$

It is predicted that firm value is determined by the company's growth, liquidity, business risk, asset usage activity,

capital structure, and financial performance.

4. Research Findings

Based on Statistical Analysis with GSCA approach shows FIT Model value of 0.590, implies that the latent dependent variable can be explained by an independent latent variable in the structural model of 59%, or in other words the information contained in the data can be explained by 59% by the model, while the remaining 41% Is explained by other variables that have not been included in the research model and error. Considering the variables in the model over an independent latent will affect the latent variable dependent, it is more appropriate if the model accuracy interpretation uses the corrected FIT value (AFIT). The AFIT value of 0.587 implies that the latent variable dependent can be explained by the independent latent variable in the model by 58.7% percent, or in other words the information contained in the data can be explained by 58.7% by the model, while the remaining 41.3% is explained by other variables that have not been included in the research model and error.

Based on the results of analysis with Generalized Structured Component Analysis (GSCA) approach to measurement model testing as in table 1, the following:

Table 1. Measurement Model Test Results (Outer Model)

Measurement Model of Company Growth Variable (X1)					
Indicator	Weight				Information
	Estimate	SE	CR	P-Value	
Sales growth (SG)	0,641	0,031	20,67*	0.000	Significant
Profit growth (PG)	0,713	0,030	23,77*	0.000	Significant
Asset growth (AG)	0,323	0,028	11,54*	0.000	Significant
Measurement Model of Liquidity Variable (X2)					
Current ratio (CR)	0,430	0,069	6,23*	0.000	Significant
Cash ratio (CsR)	0,897	0,005	179,40*	0.000	Significant
Quick ratio (QR)	0,954	0,005	190,80*	0.000	Significant
Measurement Model of Business Risk Variable (X3)					
Standar deviasi EBIT (Dev. EBIT)	0,743	0,028	26,54*	0.000	Significant
Standar deviasi EAT (Dev.EAT)	0,705	0,023	30,65*	0.000	Significant
Measurement Model of Asset Use Activity Variables (X4)					
Carrent assets turnover (CATO)	0,826	0,041	20,15*	0.000	Significant
Inventory turnover (ITO)	0,489	0,103	4,75*	0.000	Significant
Receivable turnover (RTO)	0,637	0,081	7,86*	0.000	Significant
Fixed asset turnover (FATO)	0,455	0,109	4,17*	0.000	Significant
Total asset turnover (TATO)	0,297	0,188	1,58	0.114	Not significant
Measurement Model of Capital Structure Variable (Y1)					
Debt to assets ratio (DAR)	0,941	0,007	134,43*	0.000	Significant
Debt to equity ratio (DER)	0,834	0,013	64,15*	0.000	Significant
Long term debt to equity (LTDTE)	0,615	0,029	21,21*	0.000	Significant
Measurement Model of Financial Performance Variable (Y2)					
Return on asset (ROA)	0,935	0,005	184,00*	0.000	Significant
Return on equity (ROE)	0,760	0,016	47,58*	0.000	Significant
Net profit margin (NPM)	0,822	0,015	54,80*	0.000	Significant
Gross profit margin (GPM)	0,612	0,037	16,54*	0.000	Significant
Measurement Model of Company Value Variable (Y3)					
Closing price (CP)	0,535	0,074	7,23*	0.000	Significant
Price to book value (PBV)	0,888	0,013	68,31*	0.000	Significant
Tobin's q (Q)	0,918	0,010	91,80*	0.000	Significant
CR* = Significant at 0.05 level					
Source: GSCA analysis results are processed in 2016					

Based on the results of analysis with Generalized Structured Component Analysis (GSCA) approach to hypothesis testing as in table 2, the following:

Table 2. Structural Model test results (Inner Model)

Hypothesis	Path	Path Coeficients					
		Estimate	SE	CR	P-Value	Information	
H1	$X1 \rightarrow Y1$	0,233	0,037	6,30*	0.000	Significant	H1 Accepted
H2	$X1 \rightarrow Y2$	0,223	0,023	9,69*	0.000	Significant	H2 Accepted
H3	$X1 \rightarrow Y3$	0,136	0,019	7,16*	0.000	Significant	H3 Accepted
H4	$X2 \rightarrow Y1$	-0,758	0,016	47,37*	0.000	Significant	H4 Accepted
H5	$X2 \rightarrow Y2$	0,791	0,020	39,55*	0.000	Significant	H5 Accepted
H6	$X2 \rightarrow Y3$	0,338	0,050	6,76*	0.000	Significant	H6 Accepted
H7	$X3 \rightarrow Y1$	0,258	0,046	5,61*	0.000	Significant	H7 Accepted
H8	$X3 \rightarrow Y2$	-0,389	0,022	17,68*	0.000	Significant	H8 Accepted
H9	$X3 \rightarrow Y3$	-0,218	0,013	16,77*	0.000	Significant	H9 Accepted
H10	$X4 \rightarrow Y1$	-0,540	0,030	18,00*	0.000	Significant	H10 Accepted
H11	$X4 \rightarrow Y2$	0,714	0,027	26,44*	0.000	Significant	H11 Accepted
H12	$X4 \rightarrow Y3$	0,576	0,043	13,40*	0.000	Significant	H12 Accepted
H13	$Y1 \rightarrow Y2$	-0,763	0,019	40,16*	0.000	Significant	H13 Accepted
H14	$Y1 \rightarrow Y3$	0,383	0,036	10,64*	0.000	Significant	H14 Accepted
H15	$Y2 \rightarrow Y3$	0,959	0,009	106,56*	0.000	Significant	H15 Accepted
CR* = Significant at 0.05 level							

Source: GSCA analysis results are processed in 2016.

5. Discussion

H1: Corporate growth (X1) has a significant effect on capital structure (Y1)

The growth of the company has a significant effect on capital structure. The statistical results show the positive and significant path coefficients. The coefficient of positive path means increased growth of the firm will increase the capital structure. The theoretical implication of this empirical study is that the increase in corporate growth will increase the capital structure. The findings of this study support the pecking order theory, and reinforced by the findings of Tronyeva (2013), Gathogo and Ragui (2014) which stated growing companies will seek external funds to finance investment growth, because internal funds are insufficient.

H2: Corporate growth has a significant effect on financial performance

The growth of the company has a significant effect on financial performance. The statistical results show the positive and significant path coefficients. The coefficient of positive lane, means that the increase in corporate growth will improve financial performance. The theoretical implication of this empirical study is the improvement of company's growth will improve financial performance. The findings of this study support the findings of Kouser et al. (2012).

H3: Corporate growth has a significant effect on company value

The growth of the company has a significant effect on the value of the company. The statistical results show the positive and significant path coefficients. The coefficient of positive path\, mean increase of company growth will increase company value. The theoretical implication of this empirical study is that increased growth of the firm will increase the value of the firm. The findings of this study support permanent income hypotheses (Friedman, 1957) suggesting that income expectations can be achieved by making current investments in future earnings, and dividend irrelevance theory (Modigliani and Miller, 1961) suggests that corporate growth is superior to dividends in Creating corporate value, and reinforced by Oluwagbemiga (2013) and Ghalandari (2013) research findings.

H4: Liquidity has a significant effect on capital and structure

Liquidity significantly affects the capital structure. The statistical results show the negative and significant path coefficients. Negative path coefficient, meaning an increase in liquidity will decrease the capital structure. The theoretical implication of this empirical study is that increasing liquidity will lower the capital structure. The findings of this study support pecking order theory, and reinforced the findings of Sarlija and Harc (2012); Oolderink (2013); Saeed et al. (2014); Gathogo and Ragui (2014); Podar and Mital (2014); Masoud (2014) who stated that the company prefers internal funds rather than external funds, the existing internal funds can be used to pay the debt.

H5: Liquidity has a significant effect on financial performance
Liquidity has a significant effect on financial performance. The statistical proof shows the positive path coefficient that the increase of liquidity will improve the financial performance. The theoretical implication of this empirical study is that increasing liquidity will improve financial performance. The findings of this study support the findings of research Kaddumi and Ramadan (2012) and Alzorqan (2014).
H6: Liquidity has a significant effect on company value
Liquidity significantly affects the value of the company. The statistical results show the negative and significant path coefficients. Negative path coefficient, meaning an increase in liquidity will increase the value of the company. The theoretical implication of this empirical study is that increasing liquidity will increase firm value. The findings of this study support the singalling theory, and reinforced the findings of Khodamipour et al. (2013), Siahaan et al. (2014) found that liquidity had a significant and positive impact on firm value.
H7: Business risk has a significant effect on capital structure
Business risk has a significant effect on capital structure. Statistical findings show a positive and significant path coefficient. Positive path coefficient, meaning an increased risk of business will increase the capital structure. The theoretical implication of this empirical study is the increased risk of business will increase the capital structure. The findings of this study support the findings of Çekrezi (2013) research, Saeed et al. (2014) found business risk to have a significant and positive impact on capital structure.
H8: Business risk has a significant effect on financial performance
Business risk has a significant effect on financial performance. The statistical results show the negative and significant path coefficients. Negative path coefficient, meaning increased business risk will degrade financial performance. The theoretical implication of this empirical study is the increased risk of business will degrade financial performance. The findings of this study support the findings of Adi et al. (2013).
H9: Business risk has a significant effect on company value
Business risk has a significant effect on company value. The statistical results show the negative and significant path coefficients. Negative path coefficient, meaning an increased risk of business will decrease the value of the company. The theoretical implication of this empirical study is the increased risk of business will decrease company value. The findings of this study do not support the findings of Asiri and Hameed's (2014) study finding business risks positively correlated with firm values.
H10: Activity usage of asset have significant effect to capital structure
Activity usage of asset have significant effect to capital structure. The statistical results show the negative and significant path coefficients. Negative path coefficient, meaning an increase in asset usage activity will decrease the capital structure. The theoretical implication of this empirical study is the increased activity of asset use lowering the capital structure.
H11: Activity usage asset significant effect to financial performance
Activity usage asset significant effect to financial performance. The statistical results show the positive and significant path coefficients. The coefficient of positive path means increased activity asset usage will improve financial performance. The theoretical implication of this empirical study is the increased activity of asset use will improve financial performance.
H12: Activity usage of asset have significant effect to company value
Asset use activities affect the value of the company. The statistical results show the positive and significant path coefficients. The coefficient of positive path, means the increase in asset utilization activities will increase the value of the company. The theoretical implication of this empirical study is the increased activity of asset use will increase the value of the company. The findings of this study support the leverage of irrelevance theory (Modigliani and Miller, 1958) says that the value of the firm is determined by the level of investment, profits and business risks, thus productivity, efficiency, and investment findings will be reflected in greater leverage than risk.
H13: Capital structure has a significant effect on financial performance
Capital structure has a significant effect on financial performance. The statistical results show the negative and significant path coefficients. Negative path coefficient, meaning an increase in capital structure will decrease financial performance. The findings of this study support pecking order theory (Myers and Majluf, 1984) and also support research findings Umar et al. (2012); Ogebe (2013); Bokhari and Khan (2013); Omondi and Muturi (2013); Pontoh and Ilat (2013); Chukwunweike et al. (2014); Marobhe (2014). The theoretical implication of this empirical study is the improvement of capital structure to a certain degree will decrease financial performance.
H14: Capital structure has a significant effect on company value
The capital structure has a significant effect on the value of the company. The statistical results show the positive and significant path coefficients. The coefficient of positive path means increased capital structure to a certain level will increase the value of the company. The theoretical implication of this empirical study is the improvement of capital structure to a certain extent increasing the value of the firm. The findings of this study support leverage signaling theory (Ross, 1977) said the increased use of leverage will increase the value of the

company, because increased use of leverage will increase the value of market perception. The findings of this study also support pecking order theory (Myers and Majluf, 1984) states the use of debt will reduce information asymmetry so that the market will react positively to the stock price of the company. Supporting trade off theory (Modigliani and Miller, 1963) the use of debt will gain tax benefits and offset the cost of debt thereby positively impacting firm value. Supports research findings Chowdhury and Chowdhury (2010); Ogbulu and Emeni (2012); Oluwagbemiga (2013); Barakat (2014); Isaac (2014) found the capital structure has a significant effect and the direction of a positive relationship to firm value.

H15: Financial performance has significant effect on company value

Financial performance significantly affects the value of the company. The statistical proof shows the positive path coefficient, meaning the improvement of financial performance will increase the company value. The theoretical implication of this empirical study is the improvement of financial performance to increase the value of the company. The findings of this study support the cash flow signaling hypothesis and permanent earnigs hypothesis (Litner, 1956) which states that high profitability shows high financial performance to be a good signal, will be assessed posistif by investors and raise the stock price. Supporting research findings Adi et al. (2013); Asiri and Hameed (2014) and supporting irrelevance theory leverage (Modigliani and Miller, 1958) say that company value is determined by the level of investment, profit and business risk, thus productivity, efficiency, and investment will be reflected in greater risk.

6. Limitations of Research

The limitation of the research is that other variables have not yet been included in this research model, so not all information can be expressed through data collected and analyzed. Also, this research only uses financial statement data which is historical data or past data (secondary data), so limitations related to financial statement limitations, in case of error in disclosure in report. The assumption in this study is that all manufacturing companies are considered to have the same characteristics, so that industry differences with other industries cause bias in the data used in this study.

7. Conclusions

Based on the description and discussion of the findings that have been done, then the conclusions of this study are as follows:

1) The growth of the company has a significant effect on capital structure. The statistical results show the positive and significant path coefficients. The coefficient of positive path means increased growth of the firm will increase the capital structure. The theoretical implication of this empirical study is that the increase in corporate growth will increase the capital structure.

2) Corporate growth has a significant effect on financial performance. The statistical results show the positive and significant path coefficients. The coefficient of positive lane, means that the increase in corporate growth will improve financial performance. The theoretical implication of this empirical study is the increase in corporate growth will improve financial performance.

3) The growth of the company has a significant effect on the value of the company. The statistical results show the positive and significant path coefficients. The coefficient of positive path, mean increase of company growth will increase company value. The theoretical implication of this empirical study is that increased growth of the firm will increase the value of the firm.

4) Liquidity significantly affects the capital structure. The statistical results show the negative and significant path coefficients. Negative path coefficient, meaning an increase in liquidity will decrease the capital structure. The theoretical implication of this empirical study is that increasing liquidity will lower the capital structure.

5) Liquidity has a significant effect on financial performance. The statistical proof shows the positive path coefficient that the increase of liquidity will improve the financial performance. The theoretical implication of this empirical study is that increasing liquidity will improve financial performance.

6) Liquidity significantly affects the value of the company. The statistical results show the negative and significant path coefficients. Negative path coefficient, meaning an increase in liquidity will increase the value of the company. The theoretical implication of this empirical study is that increasing liquidity will increase firm value.

7) Business risk has a significant effect on capital structure. Statistical findings show a positive and significant path coefficient. Positive path coefficient, meaning an increased risk of business will increase the capital structure. The theoretical implication of this empirical study is the increased risk of business will increase the capital structure.

8) Business risk has a significant effect on financial performance. The statistical results show the negative and significant path coefficients. Negative path coefficient, meaning increased business risk will degrade financial performance. The theoretical implication of this empirical study is the increased risk of business

will degrade financial performance.

9) Business risk has a significant effect on company value. The statistical results show the negative and significant path coefficients. Negative path coefficient, meaning an increased risk of business will decrease the value of the company. The theoretical implication of this empirical study is the increased risk of business will decrease company value.

10) Activity usage of asset have significant effect to capital structure. The statistical results show the negative and significant path coefficients. Negative path coefficient, meaning an increase in asset usage activity will decrease the capital structure. The theoretical implication of this empirical study is the increased activity of asset use lowering the capital structure.

11) Activity usage of asset have significant effect to financial performance. The statistical results show the positive and significant path coefficients. The coefficient of positive path means increased activity asset usage will improve financial performance. The theoretical implication of this empirical study is the increased use of financial performance assets.

12) Asset use activities affect the value of the company. The statistical results show the positive and significant path coefficients. The coefficient of positive path, means the increase in asset utilization activities will increase the value of the company. The theoretical implication of this empirical study is the increased activity of asset use will increase the value of the company.

13) Capital structure has a significant effect on financial performance. The statistical results show the negative and significant path coefficients. Negative path coefficient, meaning an increase in capital structure will decrease financial performance.

14) The capital structure has a significant effect on firm value. The statistical results show the positive and significant path coefficients. The coefficient of positive path means increased capital structure to a certain level will increase the value of the company. The theoretical implication of this empirical study is the improvement of capital structure to a certain extent increasing the value of the firm.

15) Financial performance significantly affects the value of the company. The statistical proof shows the positive path coefficient, meaning the improvement of financial performance will increase the company value. The theoretical implication of this empirical study is the improvement of financial performance to increase the value of the company.

7.2 Recommendation

Based on the description and discussion of the findings that have been done, then the conclusions of this study are as follows:

7.2.1 Advice for Advanced Research

Based on the limitations of this study, the suggestion of this research for further research is as follows:

Future research can add other variables that have not been included in this research model, to obtain a more comprehensive research model. Integrate financial statement data and other relevant information to overcome the limitations of historical data in the financial statements. Further research can be done elsewhere in a longer time, or replace other research objects.

7.2.2 Recommendation for Companies in Indonesia Stock Exchange

For companies in Indonesia Stock Exchange and investors, the findings of this research are expected to be useful input in decision making or financing policy of a company. Management should consider the company's growth, liquidity, business risk and asset-utilization activities. Further practically for companies in Indonesia Stock Exchange and investors, can be suggested as follows:

1) Company growth can be a reference in determining funding mechanism, whether to use internal fund or external fund. Companies may use internal funds first before external funds, because internal funds are free of interest charge.

2) The use of external funds from debt should take into consideration liquidity in order for the company not to experience difficulties in repaying the debt that is soon due. High liquidity can reduce the level of debt, because the debt has interest costs, further lowering interest costs can improve financial performance and value of the company.

3) Consider business risk, because business risk is the uncertainty of corporate earnings that has a negative impact on financial performance and firm value.

4) Increase asset utilization activities to enable the company to become more effective and efficient in its operations, thereby reducing the use of interest-bearing debt, and resulting in improved financial performance as well as firm value.

5) Use debt at the lowest possible cost level in order to increase profits.

6) Maintain and improve financial performance, because financial performance is a very powerful variable in determining the value of the company. Because investors will appreciate the shares of companies that have high financial performance at the highest price.

7) It should incorporate financial report data and other relevant information for the purposes of analysis in order to produce a more precise prediction. To overcome the limitations of financial statements, because the financial statement data is historical data or past data. In the event of an error in disclosure in the financial statements, it will result in a less precise prediction finding.

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