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Financial Performance Role in Mediating Company Growth and Asset Utilization Impact on Company Value : Study in Manufacturing Companies in Indonesia

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Abstract: This study aims to investigate the financial performance role in mediating the impact of company growth and asset utilization on the value of manufacturing companies in Indonesia from 2018 to 2022. A total of 252 manufacturing companies in Indonesia were considered, and 37 companies were selected as research samples using a purposive sampling technique. Data for the research was collected from financial reports obtained from the IDX and the companies' websites. The findings reveal that company growth and asset utilization affects positively and significantly its financial performance, but they do not affect thecompany value significantly. Meanwhile, company financial performanceaffects company value positively and significantly, and company financial performance also mediates significantly the company growth and asset utilization impact on company value.

Keywords: Company Growth, Asset Utilization, Company Financial Performance, Company Value

I. INTRODUCTION

Businesses are created to maximize wealth by strategically increasing market value, which ultimately enhances the owner's financial prosperity. Consequently, the company owner must appoint a competent manager to efficiently oversee the operations and drive the company toward optimal performance. Share prices are related to company value which is a consideration for investors (Bagaskara, Titisari, & Dewi, 2021). This is based on the fact that the value of a company is seen from various factors, including the price of its shares and the profits for its holders if the price increases.The profile and share prices of all companies in Indonesia are reflected in the IHSG (Composite Stock Index). The share price was 6,200 in 2018, worth 6,300 in 2019, then fell to 6,000 in 2020. Then it increased again to 6,500 and 6,800 in 2021 and 2022. The share price situation in Indonesia experienced significant fluctuations, with the lowest price at 6,000 rupiahs in 2020 and the highest price at 6,800 rupiahs in 2022. This phenomenon shows that Indonesian companies have not been able to maximize growth, asset utilization, and financial performance. Contrary to the signal theory (Ross, 1977), states that the share price of a company will remain high because investors believe that positive financial performance tends to have a good future, but this shows a bad trend. This shows that the published financial performance is still less than optimal and has not sparked investor interest in buying company shares in Indonesia. This means that companies need to maximize growth, asset utilization, and financial performance to increase their value.

Asexplainedby(Ross, 1977),financial performanceinfluences company value, becausethe opennessof informationto the publicaboutthefinancial performance is seenasa sign of trustbya party.Company performance including profitability is used as a mediating variable in this study, because it is considered to be able to indirectly influence the company value. The company value here looks at the market value because related to the recent Covid-19 pandemic, many companies have been affected and experienced a decline in profits.Companies should use planned resources in terms of creating products and services for customers to achieve their goals (Rahayu, 2019). *The Leverage Irrelevance Theory*(Modigliani & Miller, 1958) explains that the success of a company's investment influences its market value. This is tied to the use of company assets for operations that generate profits that contribute to the wealth of the company owner. Thus, the use of company assets aims to create high profits, which ultimately increases its market value.

Company growth is achieved through the stages of business expansion, product innovation, increasing employees, increasing sales, and increasing profits and business assets (Vijayakumar & Devi, 2011). Total assets will only increase when sales and profits increase. Apart from that, company growth also increases profitability, which is an indicator of financial performance, which ultimately increases company value. Research differentiates itself by combining growth and asset utilization variables as exogenous variables, an approach that has not been widely explored in the context of the relationship between growth, asset utilization, financial performance, and firm value in the

Indonesian manufacturing sector, where most studies only discuss one variable, this proven by (Fransiska & Widjaja, 2023)who only used the asset utilization variable, as well as by (Kelana & Amanah, 2020), and (Amelia & Anhar, 2019) who only used the company growth variable, on that basis the researchers combined the asset utilization and company growth variables as variables. Exogenous.

Based on the discussion above, these study objectives are : 1) To study and analyze whether company growth can affectcompany financial performance significantly, 2) To study and analyze whether asset utilization can affect company financial performance significantly, 3) To study and analyze whether company growth can affect the company value significantly, 4) To study and analyze whether asset utilization can affect the company value significantly, 5) To study and analyze whether company financial performance can affect the companyvalue significantly, 6) To study and analyze whether company financial performance can mediate the company growth impact on the company value significantly, 7) To study and analyze whether company financial performance can mediate the asset utilization impact on the company value significantly.

II. LITERATURE

When a company makes a large investment, the aim is for the company to develop quickly so that it can compete at a wider economic level, achieve higher profits, and generate as much wealth as possible for the owner of the company. Company growth can represent a measure of growth and changes in company assets. The growth of a company can affect the profitability of a company because companies that are growing are more attractive to investors than companies that are not growing. Companies that are developing will gain more profits and have a superior image, thereby increasing their profits.A study by (Rahayu, 2019), and (Shafique, Kashi, Haider, Zaheer, & Khan, 2021) explained that company growth positively affects the company financial performance. This implies that company growth in the sense that it tends to be high can improve the company financial performance.

H1: Significantly company growth affects company financial performance in manufacturing companies in Indonesia.

(Adita & Mawardi, 2018) found that the more efficiently a company manages its assets, the more effectively these assets are used, which ultimately increases sales, profits, and the company's profitability. (Miswanto & Oematan, 2020) explained that a larger Total Asset Turnover (TATO) ratio indicates that a company or companies can manage assets more efficiently, which is reflected in increased sales and profits. In conclusion, asset utilization positively affects company performance.Furthermore, (Fransiska & Widjaja, 2023) and (Rahayu, 2019) explained that asset utilizationhad a significant positive effect on financial performance, on the other hand, (Kelana & Amanah, 2020) obtained different results, where asset utilization as proxied by TATO did not affect the company financial performance.

H2: Significantlycompany asset utilization affects company financial performance in manufacturing companies in Indonesia

According to signal theory, the growth experienced by a business entity is considered a good signal for potential investors because it can show that the business entity is developing. Companies that grow rapidly have the opportunity to generate greater profits in the future and increase their value.According to (Putri & Rahyuda, 2020), growth has a positive impact on company value, and (Rahayu, 2019) suggests that growth has a significant impact on the company's market value. On the other hand, according to (Endri & Fathony, 2020) and (Dang, Vu, Ngo, & Hoang, 2019), the result is that growth does not have a significant impact on company value.

H3: Significantlycompany growth affects company value in manufacturing companies in Indonesia

Investment decisions based on leverage irrelevance theory (Modigliani & Miller, 1958) influence how big or small the profits are. The type, amount, timing, and location of investments must be considered when making or deciding to invest. Once the investment is made, the business will concentrate on increasing production through planned resources to the production department to ensure that the products or services sold are of high quality. This will result in high sales to achieve greater profits, which in turn will increase company value.By making investment decisions, companies can make maximum use of their assets to obtain large profits, resulting in high financial performance and increased value. This is because investors are interested in high-performing businesses so many investors will compete to invest in this business, which in turn causes the share price or company value to rise.Previous studies by (Fransiska & Widjaja, 2023) and (Rahayu, 2019) found that the use of assets has a positive impact on company value, this shows that companies can increase their profits by using assets wisely.

H4: Significantly company asset utilization affects company value in manufacturing companies in Indonesia

As stated by signal theory (Ross, 1977), financial performance is known to have several impacts on the market value of a company. In signaling theory, providing financial reports that can be accessed by the public provides a positive sign in strengthening or gaining investor trust. Investors believe that strong financial performance can guarantee a better future, thus causing higher stock prices.Often investors buy shares that are believed to have good performance. As many investors are interested in one or several shares, the effect is that the shares will be worth more than before. However, the opposite phenomenon occurs in companies that perform poorly. According to (Rahayu, 2019) and (Widianingsih, Achyani, & Trisnawati, 2022) concluded that the financial performance or profitability of a company positively affects company value.

H5: Significantlycompany financial performance affectscompany value in manufacturing companies in Indonesia

The growth of a business entity is known by comparing the increase/decrease in current assets and past asset trends. The use of assets in the operations of a company or other affects the rise or fall of a company financial performance. Increasing asset growth positively affects increasing company performance. The increase in assets is accompanied by an increase in operational performance, thereby increasing the value and trust of investors in the company. Signaling theory states that an increase in assets influences an increase in profitability, thereby increasing company value. Previous research from (Rahayu, 2019), (Amelia & Anhar, 2019), and (Widianingsih et al., 2022) found that the company financial performance acts as a link between company growth and the company's market value.

H6: Significantly company financial performance mediates the company growth impact on company value in manufacturing companies in Indonesia

(Miswanto & Oematan, 2020), revealed that the more effectively a company manages the use of company assets, the company's sales and profits will increase, thus supporting the company financial performance. This increases profits and contributes more to the wealth of the business owner. High financial performance is an indicator of how the company will become stronger in the future and stimulates investor participation in increasing demand for shares. When demand for shares increases, the value of the company increases. When net profit increases, profitability also increases. As explained by signaling theory, increasing profitability increases firm value.Previous research by (Rahayu, 2019), and (Fransiska & Widjaja, 2023), found that the company financial performance was able to mediate the influence of asset utilization on the company's market value.

H7: Significantly Company financial performance mediates the company asset utilization impact on company value in manufacturing companies in Indonesia.

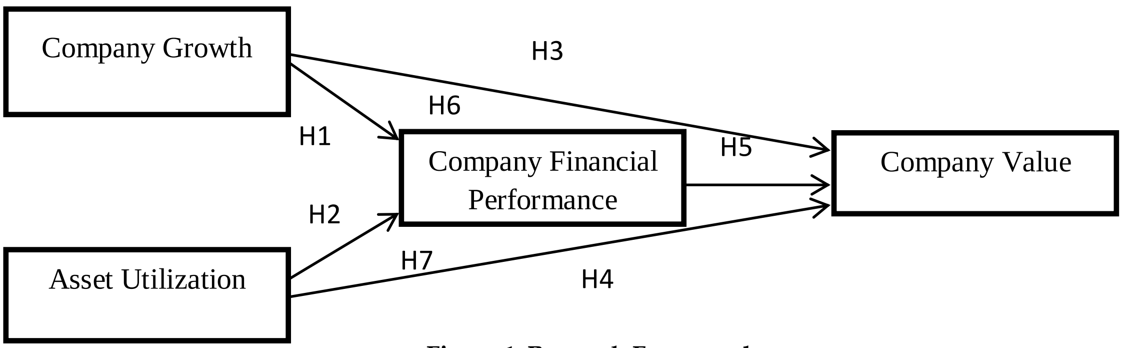


Figure 1. Research Framework

III. METHOD

Population and Sample

Manufacturing companies recorded by the Indonesian Stock Exchange (BEI) during 2018-2022 constitute the research population. The sample selection used a purposive sampling technique and used the following characteristics: manufacturing companies registered on the IDX in 2018-2022, did not publish financial reports during the year the research was conducted, namely 2018-2022, the rupiah was the currency of their financial reports, generated profits during the research year, namely 2018 -2022. From these criteria, a sample of 60 companies was obtained, then outliers were carried out and a final sample of 37 companies was obtained.

Technique Data collection

This study used secondary data or sourced panel data from sites owned by the company, IDN Financials, and BEI.

Analysis Method

Panel data regression was analyzed using Eviews 10 with the procedure choose the optimal estimation model from three methods: fixed effect, common effect, and random effect models. The estimation model is obtained through Chow, Hausman, and LM tests. After getting the best model, next used test assumption classic. This study model has one mediation variable and two structural models, then the general model inner panel data equations are :

$$CFP = \beta_0 + \beta_{11} AU + \beta_{12} CG + e_{it} \ldots\ldots \ldots(1)$$

$$CV = \beta_0 + \beta_{21} AU + \beta_{22} CG + \beta_{23} CFP + e_{it} \ldots\ldots\ldots(2)$$

CV = Company Value, AU = Asset Utilization, CG= Company Growth , CFP = Company Financial Performance, β = Constant β_{11} = First model of of Asset Utilization Coefficient Variable, β_{12} = First Model of Company Growth Coefficient Variable, β_{21} = Second model of Utilization Assets Coefficient Variable, β_{22} = Second model of Company

Growth Coefficient Variable , β_{23} = Company Financial PerformanceCoefficient Variable, e = Error Term, i = Object (company), t = Time (Year)

Operation Variable

1. Endogenous Variable :
   — Company Value. The ratio measurement used here for calculating a Company Value (using the company market value calculation)is a stockprice divided by a book value.This Price to Book Value (PBV) ratio illustrates between stock market price per share with book value per share (Hery, 2016).

$$\mathrm{PBV} = \frac{\text{Stock Price}}{\text{Book value}}$$

2. Exogenous Variable :
   — Company Growth is calculated with the formula below (Sari & Oetomo, 2016):

$$\mathrm{Growth} = \frac{\mathrm{T.Asset}_t - \mathrm{T.asse}_{t-1}}{\mathrm{T.Asset}_{t-1}}$$

   — Asset utilization. In the study, This asset utilization uses a formula as used in research (Rahayu, 2019), with formula as follows:

$$\text{Total Asset Turnover} = \frac{\text{Net sales}}{\text{Total Assets}}$$

3. Mediation Variable
   — Company financial performance uses a formula (Rahayu, 2019) below.

$$\mathrm{ROA} = \frac{\text{Net Profit}}{Equity}$$

IV. RESULTAND DISCUSSION

Regression Result

To identify the impact of the first model, which includes growth and asset utilization impact on financial performance, used multiple linear regression data analysis. Next, the second model looks at the growth, asset utilization, and company performance impact on company value. Here are the results.

Table 1.Results of Testing Model 1 and Model 2

Model 1					Model 2				
Variable	Coefficient	Std. Error	t-Statistic	Prob.	Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.0245	0.0154	-1.5893	0.1141	C	1.4072	0.2012	6.9916	0.0000
GROWTH	0.0984	0.0205	4.7867	0.0000	GROWTH	-0.0850	0.2761	-0.3080	0.7584
TATO	0.0909	0.0144	6.2953	0.0000	LOG(TATO)	-0.0620	0.1624	-0.3819	0.7030
					LOG(ROA)	0.4158	0.0567	7.3293	0.0000
R-squared = 0,8134					**R-squared** = 0.2637				
Adjusted R-squared = 0,7648					**Adjusted R-squared** = 0.2515				
F-statistic = 16,7488					**F-statistic** = 21.6139				
Prob(F-statistic) = 0,0000					**Prob(F-statistic)** = 0.0000				

Source: Eviews output data (2024)

Company Growth Impact onCompany financial performance (H1)

Table 1 reveals that company growth (GROWTH) has a probability of 0,000 with a coefficient of 0.0984. The probability has proven to be smaller than the significance (0.05), and the coefficient is plus, explaining company growth affects company financial performance significantly and positively, so hypothesis 1 is supported.When the value of company assets is high, the company can use it to increase investment by expanding company operations and presenting product variations. The hope is that this product variation will increase sales, which will ultimately increase the company's revenue and financial performance.Companies that experience growth can be considered as trees that thrive. This growth attracts investors because it promises results. Companies that grow can also gain profits and a positive reputation, thereby increasing profits.This is in line with previous studies presented by (Rahayu, 2019), and (Shafique et al., 2021) which explain that company growth has a significant positive effect on the company financial performance, meaning that high company growth can improve its financial performance.

Company Asset UtilizationImpact on Company Financial Performance(H2)

Table 1 shows that the asset utilization variable (TATO) has a probability of 0.000 with a coefficient of 0.0909. The probability has proven to be smaller than the significance (0.05), and the coefficient is plus, indicating asset utilization affects financial performance significantly and positively, so hypothesis 2 is supported.Asset Utilization (TATO)is a factor in efforts to improve financial performance. Efficient use of all assets can support sales. As a result, ROA should also increase because it is influenced by asset turnover (Brigham & Houston, 2015).(Gopal, 2009) states that increasing the utilization of company assets can improve financial performance. Company assets are used to fund sales, which is the core of the company's activities to make a profit. With more efficient asset management, sales can increase, and in turn, profits also increase. This finding is in line with research by (Fransiska & Widjaja, 2023) and (Rahayu, 2019), stating that the use of assets has a positive and significant impact on the company financial performance.Table 1 also shows that the first model in this study is worthy of research. This is proven by the prob(f-statistic) value which is smaller than the significance of 5%, and also by the coefficient of determination shown by the Adjusted R-squared which is 76%, meaning that the independent variables (company growth and asset utilization) can elaborate on the dependent variable (company financial performance) at a level of 76%, while 24% is explained by other factors that are not related to this research.

Company Growth Impact on Company Value(H3)

Table 1 shows that the probability value of the company growth variable (GROWTH) is 0.7584 with a coefficient of -0.0850. The probability has proven to be bigger than the significance (0.05), meaning company growth does not affect company value significantly, so hypothesis 3 is not supported.Company growth, although expected by many parties, does not always have a positive impact on company value. Research shows long-term asset growth is less attractive to investors, who are more concerned with current returns than long-term profit potential. In addition, high operational costs during periods of growth can reduce company value if management does not prioritize shareholder interests.

Another reason is due to the Covid-19 pandemic which hit all countries, especially Indonesia, which caused manufacturing companies to experience losses which then resulted in manufacturing companies experiencing a decrease in assets, but what is unique is that this did not reduce the company's share price, because according to public data from PT Kustodian Sentral Efek Indonesia (KSEI) there was an increase in investors for January 2021 data, it is known that at the end of 2020 investors reached 3,880,753, even though this occurred during the pandemic. This means that business in the capital market was much more popular than real business at that time, especially because government regulations limited people's activities so growth or decline in assets did not affect the company's value.In line with (Endri & Fathony, 2020), and (Dang et al., 2019) Their research results show that growth does not affect company value.

Asset Utilization Impact on Company Value(H4)

Table 1 shows that the asset utilization variable (TATO) has a probability of 0.7030 and a coefficient of -0.0620. The probability has proven to be bigger than the significance (0.05), meaning asset utilization does not affect company value significantly, so hypothesis 4 is not supported.This explains that the utilization of assets carried out by manufacturing companies is still not effective, resulting in the company's value not increasing. This result follows (Sawir, 2001)theory which explains that slow total asset turnover means that *investors* do not think too much about the use of assets in investing so that it will not affect the value of the company.

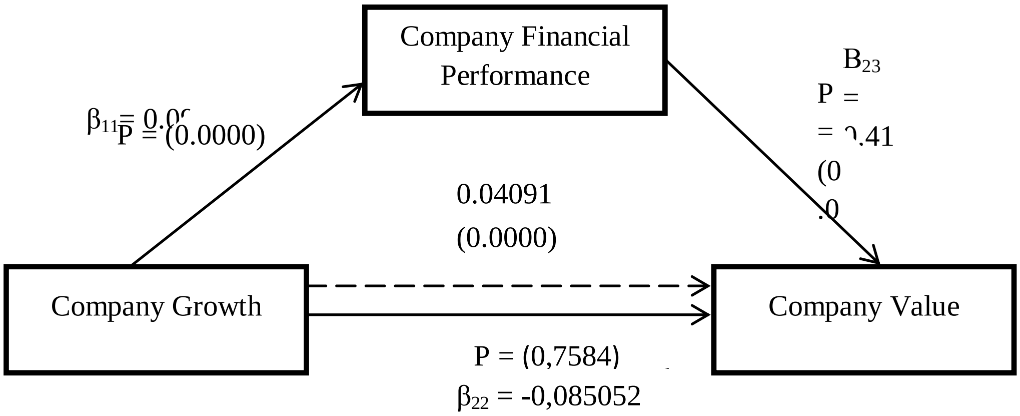
Another reason is due to the Covid-19 pandemic which hit all countries, especially Indonesia, which caused manufacturing companies to experience losses which then resulted in manufacturing companies experiencing a decrease in assets, but what is unique is that this did not reduce the company's share price, because according to public data from PT Kustodian Sentral Efek Indonesia (KSEI) there was an increase in investors for January 2021 data, it is known that at the end of 2020 investors reached 3,880,753, even though this occurred during the pandemic. This means that business in the capital market was much more popular than real business at that time, especially because government regulations limited people's activities so growth or decline in assets did not affect the company's value.This is in line with (Fransiska & Widjaja, 2023), and (Kelana & Amanah, 2020) results where asset utilization proxied assets by TATO does not influence the company's value.

Company Financial Performance Impact on Company Value(H5)

Table 1 shows the probability value of financial performance is 0.000 and the coefficient value for the ROA variable is 0.4158. The probability has proven to be smaller than the significance (0.05), and the coefficient is plus, meaning company financial performanceaffectscompany value significantly and positively, so hypothesis 5 is supported.Research shows that a high ROA indicates a company's efficiency in generating profits, which in turn influences company value. Good profitability attracts investors because it indicates the effective use of resources. Signaling theory (Ross, 1977) also confirms that positive financial reports increase reader trust and company value.

These results are following research conducted by (Rahayu, 2019), and (Widianingsih et al., 2022), who obtained the results that the company financial performance or profitability positively affects company value.Table 8 also shows that the second model in this study is worthy of research. This is proven by the prob(f-statistic) value which is smaller than the significance of 5%, and also by the coefficient of determination shown by the Adjusted R-squared which is 25%. , meaning that the independent variables (company growth, asset utilization, and company financial performance) can explain the dependent variable (company value) which is 25% while the remaining 75% is explained by other variables or factors not included in this research.

Financial Performance in Mediating the Company Growth Impact onCompany Value(H6)



The Sobel test obtained a p 0.000<0.05 and a T count of 4.007719, explaining that the company financial performance mediates the company growth impact on company value significantly, so H6 is accepted (supported). This also proves that financial performance is a full mediator in the model, meaning that company growth can only impact company value indirectly, through financial performance.These results are in line with theories related to company growth indicating better prospects due to the potential for increased profits. This is considered a positive signal by investors and makes it easier for companies to attract capital through shares. Utilization of operational assets also influences the company financial performance. Asset growth followed by good operational results increases investor confidence and company value. Previous research from (Rahayu, 2019), (Amelia & Anhar, 2019), and (Widianingsih et al., 2022) obtained similar results that the company financial performance was able to mediate the influence of company growth on the company's market value.

Financial Performance in Mediating the Asset Utilization Impact onCompany Value(H7)

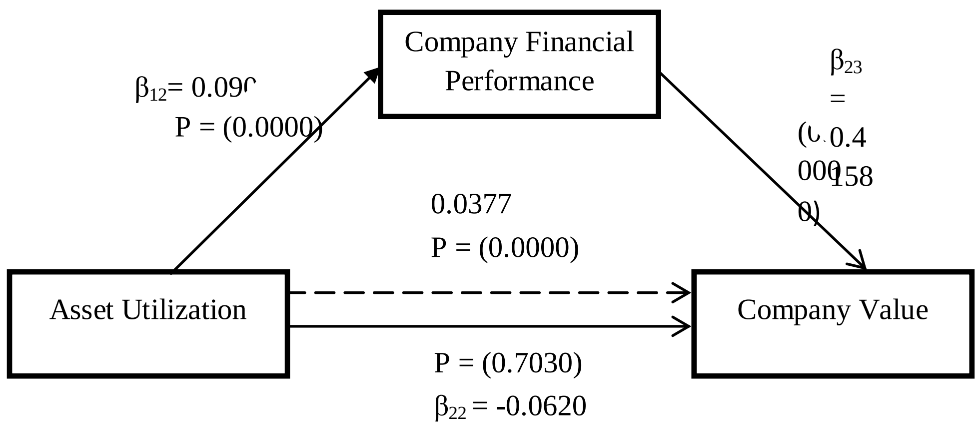


Figure 3. H7 Model

From the Sobel Test, a p 0.000 < 0.05 was obtained and the T count was 4.775634, explaining that the company financial performance mediates the asset utilization impact on company value significantly, so H7 is accepted (supported). This also proves that the company financial performance is a full mediator in the model, meaning that asset utilization can only impact company value indirectly, through financial performance.The better the utilization of assets, the higher the company's profitability, and the higher the company value. Utilization of operational assets also influences the company financial performance. Good asset utilization followed by good operational results increases investor confidence and company value. Research by (Rahayu, 2019) confirms that careful planning is needed in the utilization and control of various types of assets, as well as the efficiency of funds in each element.This research agrees with (Rahayu, 2019), and (Fransiska & Widjaja, 2023), who found that the company financial performance was able to mediate the asset utilization effect on the company's market value.

V. CONCLUSION

The results show the conclusions are: company growth positively affects the company financial performance significantly;asset utilization positively affects the company financial performance significantly;company growth does not affect company value significantly; Asset utilization does not affect company value significantly; Company financial performance positively affects company value significantly; company financial performance fully mediates the company growth impact on company value significantly, and;company financial performance fully mediates the asset utilization impact on company value significantly.The findings demonstrate that the company's value improvement model is primarily determined by accelerating company growth, optimizing asset utilization, and increasing financial performance. This study is limited in its scope and the variables examined. Future research could include new variables such as liquidity, leverage, and capital structure in the study model.

From the survey results, this study recommends that : For investors, it is advisable to pay attention to company growth, asset utilization, financial performance, and company value to invest capital in the stock market and maximize profits.For company management, increasing company value requires accelerating company growth and optimizing asset utilization, leading to improved financial performance and, ultimately, increased company value. Regulators should consider implementing regulations that enhance the financial performance of companies to boost investor confidence and increase the value of companies, particularly in the manufacturing sector, in Indonesia.

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