

The Effect of Capital Structure, Cost Structure, Profitability, Growth And Size on The Value of MSMEs Central Industry Handy Craft Company, Tutul Village, Balung District, Jember Regency

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ABSTRACT

This study aims to analyze and prove the influence of capital structure, cost structure, profitability, Growth, and Size on the firm's value. The population in this study consists of Handy Craft MSMEs (Micro, Small, and Medium Enterprises) located in Tutul Village, Balung District, Jember Regency. This research uses a purposive sampling technique, resulting in a sample of 6 MSMEs. The data analysis method used is multiple linear regression analysis with the assistance of IBM SPSS Statistics 25. The results show that partially, the cost structure, Growth, and Size variabels do not affect the firm's value. However, the capital structure and profitability variabels do affect the firm's value. Simultaneously, the variabels of capital structure, cost structure, profitability, Growth, and Size influence the firm's value.

Keywords: *Capital Structure, Cost Structure, Profitability, Growth, Firm Value*

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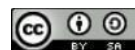
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1.

1. INTRODUCTION

According to Suryana (2013) MSMEs are productive businesses owned by individuals or individual business entities that meet the criteria of micro, small, and medium enterprises as regulated by law. According to him, MSMEs play an important role in economic growth, job creation, and poverty alleviation. MSMEs are defined based on the amount of assets and annual turnover. Micro Enterprises have maximum assets of IDR 50 million and a maximum turnover of IDR 300 million per year. Small Enterprises have assets between IDR 50 million and IDR 500 million and a turnover between IDR 300 million and IDR 2.5 billion per year. Medium Enterprises have assets between IDR 500 million and IDR 10 billion and a turnover between IDR 2.5 billion and IDR 50 billion per year.

MSMEs contribute significantly to Indonesia's GDP (Gross Domestic Product) and provide employment for a large portion of the population. MSMEs are often the place for new innovations because of their flexibility and adaptability in responding to changing market needs. MSMEs are widespread throughout Indonesia, helping to equalize economic development between regions. Of course, with better access to technology and markets, MSMEs have great growth potential, especially in today's digital era. Many business actors or MSMEs have been astute in being technology literate and making it easy to access sales on a large scale, such as in E-Commerce. Despite having great potential, MSMEs face challenges such as limited access to capital, managerial skills, and inadequate infrastructure. The Indonesian government and various parties continue to strive to increase support for MSMEs through various policies and programs, such as training, funding, and facilitation of

market access. With the right support, MSMEs can become one of the main drivers of inclusive and sustainable economic growth in Indonesia.

Jember Regency is a regency area that is part of the East Java Province. Located on the slopes of the Yang Mountains and Mount Argopuro stretching south to the Indonesian Ocean. In a regional context, Jember Regency has a strategic position and role as one of the Regional Activity Centers (PKW). Jember Regency with business development supported by its regional potential provides growth in types of businesses, especially in increasing the economy in the world of trade. The distribution of its businesses can be categorized based on company groups, legal entity forms, development patterns and their own distribution is evenly distributed in each sub-district. Other trading activities are non-domestic trading activities or export trade.

Jember Regency has 31 sub-districts that have been appreciated by the Ministry of Tourism and Culture (Kemenparekraf) as having the 9th largest MSME in Indonesia. Efforts from Jember Regency that will continue to improve the quality of their micro-businesses need to be given high appreciation. Data sources on the Indonesian Ministry of Manpower and Transmigration page report that Jember Regency which has the highest number of MSME craftsmen is Balung District, which is the Central Industry Handy Craft Balung. The Indonesian Ministry of Manpower and Transmigration together with the Jember government in 2017 gave an award and stated that Tutul Village, Balung District, is the Center of the Central Handy Craft Industry, so that the local community and the wider community call it the Central Industry Handy Craft Balung Tutul. With a focus on the bead industry, various household appliances, and decorations and knick-knacks made from wood.

This central industry is known for its various quality handicraft products made by local craftsmen. Craftsmen in Balung are known for their creativity and high quality in every product they produce. They use environmentally friendly local materials and traditional techniques that have been passed down from generation to generation. This type of UMKM is not only marketed domestically but also exported to various countries. They often participate in craft exhibitions both at national and international levels, and the Jember Regency government provides support to craftsmen in Balung through various training programs, mentoring, and access to capital. This aims to increase the competitiveness and quality of local craft products. The Central Industry Handy Craft of Tutul Balung Village is a real example of how local handicrafts can develop and contribute significantly to the regional economy and preserve traditional culture.

This study was written using the financial reports of MSMEs in the last 3 years, namely 2021-2023. This is due to the positive impact of Covid-19, which has made this Handicraft soar in its online sales. Not only domestic sales, but sales of these handicrafts abroad have increased turnover and several craft shops have become more widely known, helping the economy that had fallen to rise again. This study only focuses on companies whose product sales are already large both domestically and abroad, so they have a detailed list of financial reports.

2. METHODS

The object of this research is the Central Industry Handy Craft UMKM Manufacturing Company in Tutul Village, Balung District, Jember Regency. Handy Craft Balung is a unit of UMKM craftsmen using wood as the basic material which is processed into various handicrafts such as household appliances, decorations, and daily accessories. The Handy Craft Balung Manufacturing Company is located in Balung District, Jember Regency. The focus of this research is only on the main village of craftsmen, namely in Tutul Village, Balung District, Jember Regency, or what is commonly called the Central Industry Handy Craft in Tutul Village, Balung District.

The population in this study were all manufacturing companies located in the Central Industry Handy Craft Balung, Jember Regency. Based on information obtained from the UMKM Handy Craft Booklet of the Balung District Office, there are 493 craftsmen in Balung District. This study will focus on Tutul Village, which is a phenomenon of the Central Industry Village or Industrial Center Village in Balung District. In the UMKM data recording of the Tutul Balung Village Head Office, only 78 active craftsmen were recorded as of 2021-2023 who were still selling their handy craft products in Tutul Village, Balung District. This data is more relevant because it refers to craftsmen who actually operated during the research period, thus reflecting the current conditions of the UMKM sector in Tutul Village. By focusing on active craftsmen, research can provide a more accurate picture of the dynamics of the craft industry in the village.

The type of research used is a quantitative approach. Quantitative research is a research approach that focuses on collecting data that can be measured numerically, statistical analysis, and forming generalizations or conclusions based on the data.

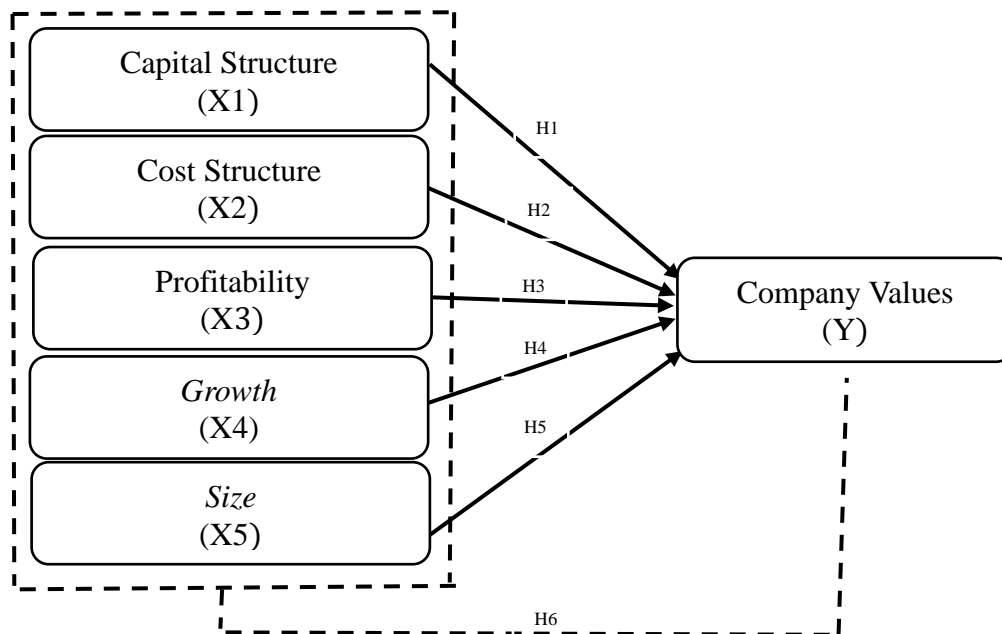


Figure 2.1 Conceptual Framework

Information :

————— : Partially affected
 - - - - - : Influential simultaneously

3. RESULTS AND DISCUSSION

Research result

a. Multiple Linear Regression Analysis

Multiple linear regression analysis is an analysis that aims to measure the magnitude of the influence of two or more independent variables on one dependent variable and project the dependent variable using two or more independent variables (Rochaety et al, 2019:117). So this multiple linear regression has one dependent variable and two or more independent variables in a study conducted (Sujarweni, 2015:116)

Table 1. Multiple Linear Regression Analysis

Coefficients ^a				
Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	32.126	15.651	
	Capital Structure	-98.756	5.101	-.865
	Cost Structure	.357	.500	.034
	Profitability	9.404	1.283	.435
	Growth	-.366	.931	-.019
	Size	-1.056	.726	-.080
a. Dependent Variable: Company Values				

Based on Table 4.14, the results of the multiple linear regression equation are as follows: $Y = 32.126 - 98.756X_1 + 0.357X_2 + 9.404X_3 - 0.366X_4 - 1.056X_5$

Based on this equation, it can be seen that the variables of capital structure, cost structure, Growth, and Size have a negative coefficient direction towards the company value while profitability has a positive direction towards the company value. From this equation it can be explained:

1. The constant value of 32.126 identifies that if all dependent variables, namely Capital Structure, Cost Structure, Profitability, Growth, and Size are assumed to be zero/constant, then the company's value is 32.126
2. The coefficient of the capital structure variable (X_1) has a value of -98.756, this value indicates a negative direction between the capital structure variable and the company's value. This means that if the capital structure variable increases by 1%, then conversely the company's value variable will decrease. Assuming that other variables are considered constant. The capital structure shows how much debt the company has in relation to its capital.
3. The coefficient of the cost structure variable (X_2) has a value of 0.357, this value indicates a positive direction between the cost structure and the company's value. This means that if the cost structure variable increases by 1%, the company's value variable will also increase by 0.357. Assuming that other variables are considered constant. The cost structure shows how the company's total costs are divided between fixed costs and variable costs.
4. The coefficient of the profitability variable (X_3) has a value of 9.404, this value indicates a positive direction between the profitability variable and the company's value variable. This means that if the profitability variable increases, the company's value variable will also increase. Assuming that other variables are considered constant. The higher the profitability, the higher the company's value to investors and the public.
5. The coefficient of the Growth variable (X_4) has a value of -0.366, this value indicates a negative direction between the Growth variable and the company's value. This means that if the Growth variable increases by 1%, then conversely the company's value variable will decrease by -0.366. Assuming that other variables are considered constant. The higher the Growth, the higher the sales growth and demand which will have an impact on the company's value.
6. The coefficient of the Size variable (X_5) has a value of -1.056, this value indicates a negative influence between the Size variable and the company's value. This means that if the Size variable increases by 1%, then conversely the company's value variable will decrease by -1.056. Assuming that other variables are considered constant. Company size

is very important in a company because it shows the condition of the company, especially in obtaining profit.

Hypothesis t Test

The t-test is a test used to determine the extent to which the independent variable individually influences the dependent variable. The basis for decision making in the t-test is 1) if the significance value is < 0.05 then the hypothesis is accepted that the independent variable influences the dependent variable. 2) if the calculated t value is greater than the t table then the hypothesis is accepted that the independent variable influences the dependent variable. The results of the t-test in this study are as follows:

Table 2. Partial t-Test Results

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	32.126	15.651		2.053	.049
	Capital Structure	-98.756	5.101	-.865	-19.361	.000
	Cost Structure	.357	.500	.034	.714	.481
	Profitability	9.404	1.283	.435	7.329	.000
	Growth	-.366	.931	-.019	-.394	.697
	Size	-1.056	.726	-.080	-1.455	.156

a. Dependent Variable: Company Values

Based on Table 4.15, it can be explained as follows:

1. The results of the t-test of the capital structure variable (X1) on the company value (Y) obtained a significance value of $0.000 < 0.05$ and a calculated t value of $-19.361 < t$ table 2.039, so it can be concluded that the capital structure variable (X1) has an effect on the company value (Y).
2. The results of the t-test of the cost structure variable (X2) on the company value (Y) obtained a significance value of $0.481 > 0.05$ and a calculated t value of $0.714 < t$ table 2.039, so it can be concluded that the cost structure variable (X2) does not affect the company value (Y).
3. The results of the t-test of the profitability variable (X3) on the company value (Y) obtained a significance value of $0.000 < 0.05$ and a calculated t value of $7.329 > t$ table 2.039, so it can be concluded that the profitability variable (X3) has an effect on the company value (Y).
4. The results of the t-test of the Growth variable (X4) on the company value (Y) obtained a significance value of $0.697 > 0.05$ and a calculated t value of $-0.394 < t$ table 2.039, so it can be concluded that the Growth variable (X4) has no effect on the company value (Y).
5. The results of the t-test of the Size variable (X5) on the company value (Y) obtained a significance value of $0.156 > 0.05$ and a calculated t value of $-1.455 < t$ table 2.039, so it can be concluded that the Size variable (X5) has no effect on the company value (Y).

4. CONCLUSION

This study discusses the effect of capital structure, cost structure, profitability, growth, and size on company value in the Handycraft UMKM company in Tutul Village, Balung District, Jember Regency in 2021-2023. The method in this study uses purposive sampling using several criteria, and there are 6 UMKM companies that meet the criteria. Based on the results of the study, the conclusions that can be obtained are as follows:

1. Partially, capital structure affects the value of the company. This is because the use of higher debt will reduce the value of the UMKM Handycraft company because if a

company has too much debt, creditors may be reluctant to provide additional loans due to higher risks, which can ultimately reduce the value of the UMKM Handycraft company.

2. Partially, the cost structure does not affect the company's value. This means that the high or low cost structure of UMKM Handycraft will not increase the value of the company. The cost structure of UMKM Handycraft is still relatively low. The understanding of UMKM Handycraft companies about the composition of the cost structure towards achieving profits will not affect the company's value.
3. Partially, profitability affects the company's value. This shows that the higher the profit obtained by the UMKM Handycraft company can have an impact on increasing the company's value. Profitability growth shows that the company is running well and its value will increase in the future.
4. Partially, growth does not affect the company's value. This shows that increasing or not the company's growth will not increase the company's value. When the growth of the UMKM Handycraft company is high, the funds needed by the company in its operational activities will increase, but will not affect the company's value.
5. Partially, Size does not affect the company's value. This means that the size of the size cannot affect the company's value. This shows that UMKM Handycraft companies that have large total assets are not necessarily able to convince capital providers to invest their capital. They tend to review other aspects such as the company's good name and other policies.

Simultaneously, capital structure, cost structure, profitability, growth, and size affect the company's value. This shows that the variables of cost structure, growth, and size cannot stand alone in explaining the company's value variable. It can be concluded that UMKM companies in increasing their company's value do not only pay attention to the capital structure and high profitability, but must also pay attention to the cost structure, growth and size of the company in the process of increasing the company's value.

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