

Analysis of Asset Usage Activities, Capital Structure, Financial Performance and Corporate Value (A Study of Manufacturing Corporates at the Indonesia Stock Exchange)

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Abstract

This study aims to examine and explain the effect of the asset usage activities 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 asset usage activities has a significant negative effect on capital structure, and significant positive to financial performance and corporate value. The capital structure has a significant negative effect on financial performance, and is significantly positive to Corporate value. Financial performance has a significant positive effect on Corporate value. The study concludes that asset usage activities can determine the capital structure, financial performance and Corporate value. Therefore, the Corporate's management and financial analysts can examine the asset usage activities and capital structure and financial performance to predict the future value of the Corporate.

Keywords: Asset usage Activities, Capital Structure, Financial Performance, Corporate Values.

1. Introduction

The Corporate was established to achieve the ultimate goal of maximizing the welfare of the owners or shareholders by increasing the value of the Corporate (Keown et al., 2000: 2). The management of the Corporate is entrusted by the owners to manage the Corporate in the hope of profiting and increasing the wealth of the owners. The Corporate will use its own capital and joint debt, both short-term debt and long-term debt in funding various assets that will be used in the Corporate's operational activities. The Corporate operational activities use assets that have been allocated for their use. If the use of Corporate assets is better, it can make sales higher and earn higher profits too (Gopal, 2009: 207). Financial managers are required to take decisions related to asset usage and funding activities to ensure the smooth operation of the Corporate. Pecking order theory (Myers and Majluf, 1984) reveals that Corporates with high earnings and high internal cash flow can reduce the use of debt and interest costs. High profits will increase the value of the Corporate.

The value of Corporates 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 financial performance and impact on Corporate 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 Corporate value. It therefore becomes interesting to examine more about the activities of asset use, capital structure, financial performance and corporate value. Departing from the idea that the suitability of investments to maintain or increase asset usage activities will determine the optimal capital structure, and will further determine the financial performance and Corporate value. It is therefore suspected that there is a comprehensive influence on the use of assets of capital structure, financial performance, and Corporate value. Therefore, this research model was built by involving the 4 variables, and based on the theoretical studies and previous research studies.

Empirically this research is the development of previous research, namely: Oluwagbemiga (2013), Omondi and Muturi (2013), Adi et al. (2013), Bokhari and Khan (2013), Asiri and Hameed (2014), Chukwunweike et al. (2014), Siahaan et al. (2014), Barakat (2014) who examines the structure of capital and financial performance, on the value of the Corporate. Where the general weakness in previous research which is used as reference in developing this research model is the previous research only use one indicator to represent the other indicator in measurement of variable, because the analytical tool used is not possible to analyze the data from the variables under study in the structure and the number of indicators the many (weaknesses of the analytical tools used). Therefore, 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 against 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 Corporate 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. Activity usage of assets is an operational activity to generate revenue that impacts the capital structure, financial performance and corporate value. The originality of this research lies in providing empirical evidence of the effect of asset use on capital structure, financial performance and Corporate value. The findings of this study are expected to provide a deeper understanding of the important role of asset usage activities in determining the capital structure that impacts on improving financial performance and Corporate value.

This research was conducted at manufacturing industry companies listed on Indonesia Stock Exchange. Manufacturing companies have an important role in the development of the economy and contribute to Indonesia's gross domestic product (GDP). The time of this study is from 2010 to 2015. The data source comes from the Indonesia Stock Exchange database, because in Indonesia Stock Exchange is available data of financial statements audited by public accountant. The unit of analysis is 84 Corporates using panel data ie time series and cross-sectional, for 6 years sequentially and across industry sub sectors in one sector of manufacturing industry. The wider the time range used, the more number of observations will be made. Year 2015 as the end of the data collection period.

1.1 Problem Formulation

Based on the theory and empirical research, identification of existing research variables and research objectives, then the formulation of this research problem is as follows:

- 1) Does asset usage activity significantly affect the capital structure, financial performance and corporate value?
- 2) Does the capital structure have a significant effect on financial performance and Corporate value?
- 3) Does the financial performance significantly affect the value of the Corporate?

1.2 Research Objectives

This study aims to develop a new theory approach as an effort to add capital structure literature that discusses funding policies, asset usage activities that focus on improving financial performance and corporate value. This study focuses on research problems that have been formulated and proposed for further study empirically, then the purpose of this study are detailed as follows:

- 1) Examine and explain the effect of asset usage activities on capital structure, financial performance and Corporate value.
- 2) Test and explain the effect of capital structure on financial performance and Corporate value.
- 3) Test and explain the effect of financial performance on the value of the Corporate.

2. Literature Review

2.1 Effects of Asset Use Activities on Capital Structure

Activity usage of assets is the utilization of assets of companies that have been allocated their use to produce goods or services for sale in order to achieve corporate goals. The level of asset usage activity determines the funding mechanism. The funding mechanism reflects the Corporate's capital structure. Increased asset usage activity will lower the debt ratio in the capital structure. The higher asset turnover ratio means the faster the refunds into the Corporate, so that internal funds are available enough to re-invest, and can reduce the use of debt. The effect of asset use on capital structure, as described by pecking order theory (Myers and Majluf, 1984) states that companies that operate effectively and efficiently have high profits and internal. Companies that use their assets effectively and efficiently will reduce the use of debt to reduce the cost of debt. The theoretical implication of the effect of asset usage activity on capital structure is the increase of asset usage ratio will decrease capital structure. Based on the explanation, then formulated the following hypothesis:

H1: Activity usage of asset has significant effect to capital structure.

2.2 Effect of Asset Use Activities on Financial Performance

Leverage irrelevance theory (Modigliani and Miller, 1958) argues that investment decisions determine profits. The logic of the investment decision decides what investment is chosen, how much its investment value, when and where the investment is implemented. After the investment is done then will then carry out production process activities using assets that have been allocated the use by companies to produce goods or services for sale and generate cash receipts and profits. Investment decisions affecting the effective and efficient use of assets will result in higher profits and better financial performance. The Du-Pont analysis describes the effect of the activity ratio on profitability ratios (Hanafi, 2010: 51-52). Effective and efficient use of assets can increase profits for the Corporate. High asset usage activities reflect efficiency in asset management (Kamaludin and Indriani, 2012: 44).

Effectiveness of the Corporate in managing the assets, both current assets and fixed assets and also the structure of the asset so as to increase the return on investment. A tool for measuring operational effectiveness is the activity ratio. The activity ratio describes the level of utilization of a Corporate's assets to make sales and

make a profit. If Corporates use assets more efficiently, then sales will be higher and profits will also rise. The theoretical implications of the effect of the asset utilization activity on financial performance are the increased use of assets to improve financial performance. Based on the explanation, then formulated the following hypothesis:

H2: Activity usage of asset has significant effect to financial performance.

2.3 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 Corporate's assets will determine how much of an additional external funding will be. The operation of any funds embedded in the assets used effectively will result in maximum investment gains (Kamaludin and Indriani, 2012: 44).

The effect of asset usage activity on Corporate value is based on the leverage of irrelevance theory. The leverage of irrelevance theory (Modigliani and Miller, 1958) explains that the value of the Corporate is determined by the success of the investment, and the success of the investment is inseparable from the activity of asset use in the process of producing the goods or services to be sold and generating income and profit. Profit generated will increase the wealth of the owners of the Corporate.

The purpose of asset utilization is to gain the profit that is expected to add value to the Corporate (Kamaludin and Indriani, 2012: 44). It is concluded that in addition to investment decisions and asset usage activities will determine the expected profit to add value to the Corporate. Profit generated will increase the wealth of the owners of the Corporate. So it can be concluded that in addition to investment decisions, as well as asset usage activities will determine the financial performance and value of the Corporate. The theoretical implications of empirical influence of the use of assets to the value of the Corporate is the increased use of assets will increase the value of the Corporate. Based on the explanation, then formulated the following hypothesis:

H3: Activity usage of asset has significant effect to Corporate value.

2.4 Effect of Capital Structure on Financial Performance

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 Corporate is experiencing financial difficulties, supported by research findings 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.

Capital structure has an important role in determining the Corporate's financial performance, as explained by pecking order theory which states that companies prefer internal sources of funds rather than external sources of funds, because internal funds are free of charge. So a Corporate that has a large profit will reduce the use of debt and interest costs. Pecking order theory emphasizes on the order of funding preference is from one, the most sensitive to the other, because of asymmetric information between the management of companies that have more information and market players (investors and potential investors) who lack information about the condition of assets and investment opportunities as well prospects of the Corporate in the future (Myers and Majluf, 1984). Based on the explanation, then formulated the following hypothesis:

H4: Capital structure has a significant effect on financial performance.

2.5 Effect of Capital Structure on Corporate Value

Trade off theory, pecking order theory, and leverage signaling theory explain that capital structure has a significant positive effect on Corporate value. Trade off theory (Modigliani and Miller, 1963) predicts a positive relationship between capital structure and Corporate value with the assumption that the tax advantage is greater than the financial difficulties and agency costs, the tax benefits on the use of debt will have a positive impact on Corporate value (Barakat, 2014).

Pecking order theory (Myers and Majluf, 1984) argues that if Corporates are willing to use external funding sources, 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 Corporate's stock price rise. Conversely, if the Corporate 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 Corporate's stock price down (Ogbulu and Emeni, 2012).

Leverage signalling theory (Ross (1977) argues that debt is a credible signal about the quality and prospects of the Corporate in the future, so the market will react positively to the Corporate's stock price.

The study examining the effect of capital structure on Corporate value is the research conducted by Chowdhuri and Chowdhuri (2010), Ogbulu and Emeni (2012), Oluwabemiga (2013), Barakat (2014), Isaac (2014) found

capital structure has significant and positive effect on the value of the Corporate. Supporting trade off theory (Modigliani and Miller, 1963), pecking order theory (Myers and Majluf, 1984), and leverage signalling theory (Ross (1977)). The empirical theoretical implication is that increasing capital structure to some extent increases the value of the Corporate. But in the findings of research conducted by Ghalandari (2013), Adi et al. (2013), Asiri and Hameed (2014), Siahaan et al. (2014) found that capital structure had significant and negative impacts on Corporate value, did not support trade off theory (Modigliani and Miller, 1963), pecking order theory (Myers and Majluf, 1984), and leverage signalling theory (Ross (1977)). Based on theoretical and empirical explanations so far shows that the capital structure has a positive and negative impact on corporate value. Positive impacts indicate that the use of debt will encourage an increase in corporate value, because there is a debt benefit greater than the cost of debt. Conversely, negative impacts indicate that the use of debt is too high will reduce the value of the Corporate, due to debt benefits are declining compared to high debt costs. Based on the explanation, then formulated the following hypothesis:

H5: Capital structure has a significant effect on Corporate value.

2.6 Effect of Financial Performance on Corporate Value

The ability of the Corporate to generate profits will determine the ability to provide internal funding sources to finance corporate growth and dividends or capital gains that are expected to increase the wealth of owners. Many investors are interested in buying shares from high performing companies. The more that will buy then the price will rise and will happen otherwise if the Corporate performs low. Investors are less interested in companies that have low performance. Ghosh and Arijit (2008) explained that financial performance has a positive impact on Corporate value. Increased profit is considered as a signal that better control and operation of the Corporate, thereby increasing the value of equity.

Leverage irrelevance theory (Modigliani and Miller, 1958) argues that Corporate value is determined by the rate of return on investment and business risk. Thus productivity, efficiency, and investment success will be measured by profit. Profits reflect financial performance have a significant and positive impact on the value of the Corporate. Research conducted by Ghosh and Arijit (2008), Adi et al. (2013), Asiri and Hameed (2014) found that financial performance has a significant and positive impact on corporate value. The empirical theoretical implication is that the improvement of financial performance will increase the value of the Corporate. Based on the explanation, then formulated the following hypothesis:

H6: Financial performance has a significant effect on Corporate value.

3. Research Methods

This type of research is explanation that explains the influence of one or several variables with one or several other variables, using secondary data. Based on the developed research model, it is expected to further explain the influence between the variables analyzed, and at the same time can make the research implications useful for the development of science as well as a method for solving problems in the field. According Sugiyono (2014: 23) quantitative research methods based on the philosophy of positivism, which is used to examine the population or a particular sample, data collection research, data analysis is quantitative or statistical, with the aim to test the hypothesis. This study focused on empirical testing of the theory by testing the influence between variables that are measured and analyzed using statistical procedures for hypothesis testing.

3.1 Location of this study

The location of this study in Indonesia and the object of observation are all manufacturing companies listed on the Indonesia Stock Exchange, with observation period from 2010 to 2015.

3.2 Population and Sample

The population in this study is all manufacturing industry companies in Indonesia Stock Exchange (IDX), with observation period from 2010 to 2015 amounted to 146 companies. Sampling using a purposive method that researchers determine the specific criteria or goals for the sample to be studied (Indriantoro and Supomo 1999: 146). The study is limited for the period 2010 to 2015. The unit of analysis using data from 84 Corporates multiplied by 6 years is 504 financial statements.

3.3 Operational Definition of Research Variables

3.3.1 Exogenous Variables of Asset Use Activities (X)

Activity usage of assets is the utilization of assets of companies that have been allocated their use to produce goods or services for sale in order to achieve corporate goals. Variable asset usage activities are measured by current asset turnover (CATO), inventory turnover (ITO), receivable turnover (RTO), fixed assets turnover (FATO), total asset turnover or total assets turnover (TATO). Referring to Hanafi (2010: 38-40), Kamaludin and Indriani (2012: 44-45). Current asset turnover (CATO) is calculated by the following formula:

$$CATO = \frac{Net\ Sales}{Current\ asset}$$

Inventory turnover (ITO) is calculated by the following formula : $ITO = \frac{Net\ Sales}{Inventory}$

Receivable turnover (RTO) is calculated as following formula: $RTO = \frac{Net\ Sales}{Receivable}$

Fixed asset turnover (FATO) is calculated by the following formula: $FATO = \frac{Fixed\ assets}{Net\ Sales}$

Total assets turnover (TATO) is calculated by the following formula: $TATO = \frac{Total\ assets}{Net\ Sales}$

The activity ratio describes how much efficiency and effectiveness of asset use by the Corporate, and how much funding is embedded in each group of Corporate assets. If the funds embedded in a particular asset are large enough, the funds should be used to invest in other more productive assets, then profitability is not as good as it should be. If Corporates 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 Corporate value.

3.3.2 Endogen Variable Capital Structure (Y1)

Capital structure is a combination of debt and equity in funding a Corporate's assets is called leverage. Capital structure indicators are total debt to total asset ratio (DAR), debt to equity ratio (DER) and long term debt to equity (LTDTE). Total debt to total assets ratio (DAR) is the ratio of total liabilities to total assets. Total debt to total asset ratio (DAR) is used to measure how much the Corporate's assets are financed by debt. Refers to Cekresi (2013) and Chukwunweike et al. (2014) debt to assets ratio (DAR) is calculated by the following formula: $DAR = \frac{Total\ debt}{Total\ assets} \times 100\%$

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, calculated as follows : $DER = \frac{Total\ debt}{Total\ equity} \times 100\%$

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. Refers to Cekresi (2013), and Chukwunweike et al. (2014), LTDTE is calculated by the following formula:

$$LTDTE = \frac{Long\ term\ debt}{Total\ equity} \times 100\%$$

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

3.3.3 Endogenous Variables Financial Performance (Y2)

Financial performance is a financial achievement that shows the Corporate's ability to manage assets owned and produce profits. 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 the ratio of net income to total assets within a certain time. Return on assets (ROA) is used to measure the Corporate's ability to manage assets to generate profits for the Corporate, thereby increasing the Corporate's financial capability to fund projects that have a "net present value positive". Referring to Umar et al. (2012); Bokhari and Khan (2013) Return on assets (ROA) is calculated by the following formula:

$$ROA = \frac{Earnig\ after\ tax}{Total\ assets} \times 100\%$$

Return on equity (ROE) is the ratio of net income after tax to total equity within a certain time. Return on equity (ROE) is used to measure a Corporate'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 Barakat research (2014). Return on equity (ROE) is calculated by the following formula:

$$ROE = \frac{Earnig\ after\ tax}{Equity} \times 100\%$$

Net profit margin (NPM) is the ratio of net income to total net sales within a certain time. Net profit margin (NPM) is used to measure a Corporate's ability to earn an average net profit per unit of sales, and measure sales performance. Referring to Barakat research (2014), Bokhari and Khan (2013) NPM is calculated by the following formula: $NPM = \frac{Earnig\ after\ tax}{Net\ sales} \times 100\%$

Gross profit margin (GPM) is the ratio of gross profit to total net sales in a given time. Gross profit margin (GPM) is used to measure a Corporate'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: $GPM = \frac{Gross\ profit}{Net\ sales} \times 100\%$.

Financial performance is predicted as a determinant of corporate value.

3.3.4 Endogenous Variables Corporate Value (Y3)

The value of the Corporate is the stock market value and book value. 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, referring to research (Yulianto et al., 2014). In the Corporate 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 shows the value of the Corporate according to the capital market valuation at a certain time. Referring to Ghalandari (2013), Adi et al. (2013) and Asiri and Hameed (2014) research. PBV is calculated by the following formula:

$$PBV = \frac{\text{Stock Market Price}}{\text{Book Value of Stock}}$$

If the PBV is 1 then the market price is proportional to the book value. If this ratio is less than 1 it means that the market price is less than the book value, because the market is low on the Corporate's stock. PBV reflects the value of the Corporate. In general, companies that run well have a PBV above 1 shows the market value is higher than the value of the book, because the market high rate of the Corporate's stock. The higher the stock return will increase the Corporate's revenue so as to increase the Corporate's ability to pay dividends. The market price reflects the expected price of the investor, if the investor's expectation of one type of stock is high, then the demand for the stock is also high so the price in the market is also relatively high, the market price can also be lower than the book value, therefore try using Tobin's approach q to measure Corporate value. Tobin's q is the market value of the equity plus the total debt of the Corporate divided by the total assets. Referring to the research of Adi et al. (2013). Tobin's q is calculated by the following formula:

$$\text{Tobin's } Q = \frac{\text{Market Value of Equity} + \text{Total long term debt}}{\text{Total Assets}}$$

It is predicted that Corporate value is determined by the activity of asset usage, capital structure, and financial performance.

3.3.5 Types and Data Sources

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. Data source used is Indonesia Stock Exchange through website <http://www.idx.co.id>.

3.3.6 Data Collection Methods

In accordance with the type and source of data required, then the method of data collection used is the method of documentation. Documents to be used in research are financial statements audited by public accountant and annual report, Corporate financial performance profile, and fact book of Indonesia Stock Exchange.

4. Research Findings

4.1 Statistics Description

Descriptive statistical analysis aims to describe the data that has been collected as it is without intending to take general conclusions or generalizations. The data described in the form of the minimum value, the maximum value, the average of each latent variable forming indicator, as listed in table 1, the following:

Table 1. The Development of Indicator Value of Research Variables

No	Variable Indicators	Average per year					Average 6 Years			
		2010	2011	2012	2013	2014	2015	Min	Max	Mean
1	Asset Use Activity (X)									
	CATO (x)	2,15	2,20	2,20	2,14	2,18	2,00	0,50	5,51	2,14
	ITO (x)	7,67	7,35	7,14	6,91	6,90	6,77	1	64	7,12
	RTO (x)	8,71	8,76	8,61	8,17	8,65	7,30	1	79,92	8,37
	FATO (x)	3,36	3,93	3,68	3,48	3,32	2,85	0,27	16,04	3,44
	TATO (x)	1,20	1,63	1,62	1,23	1,17	1,02	0,22	3	1,17
2	Capital Structure (Y₁)									
	DAR (%)	44,45	43,24	42,70	44,70	43,61	43,60	4,00	121	43,72
	DER (%)	116,11	97,77	95,00	107,39	115,60	102,64	4,00	108	105,75
	LTDTE (%)	35,59	28,41	27,28	32,40	31,74	34,85	0,40	207,5	31,71
3	Financial performance (Y₂)									
	ROA (%)	9,86	10,15	10,08	10,10	6,86	6,21	-16,00	74,84	8,88
	ROE (%)	18,56	18,26	18,39	15,12	13,34	8,87	-48,00	143,53	15,43
	NPM (%)	8,48	8,38	8,43	7,77	6,12	4,59	-24,00	50,87	7,29
	GPM (%)	24,65	24,42	24,11	24,36	23,01	22,44	-16,29	70,23	23,83
4	Corporate Value (Y₃)									
	CP (Rp)	10.940,05	12.736,35	18.787,64	11.211,45	11.366,14	8.618,22	50,00	740.000	12.726,6
	PBV (x)	2,49	2,58	3,30	3,01	3,34	2,72	0,04	58,48	2,90
	Q (x)	1,79	1,82	2,08	2,06	2,03	2,14	0,26	18,64	1,99

Data source: *Corporate financial report*. <http://www.idx.co.id> processed in 2017.

4.2 Statistical Analysis with GSCA

The Fit Model test shows that the FIT value of 0.557 percent implies that the latent dependent variable can be explained by the independent latent variable in the structural model of 55.7 percent or in other words other information contained in the data can be explained by 55.7 percent by the model, while the remaining 44.3

percent 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 0,555 means that the latent dependent variable can be explained by the independent latent variable in the model by 55.5 percent or in other words other information contained in the data can be explained by 55.5 percent by the model, while the remaining 44.5 percent is explained by other variables that have not been included in the research model and error.

4.2.1 Outer Model Test Result

Outer model (Measurement Model) which explains the relationship between latent variables with the indicator or vaiabel manifes it (measurement model). Based on the conceptual framework and model in chapter 2, further developed outer model which is also called outer relation which defines how each indicator block relates to its latent variable, obtained by GSCA Bootstrapping calculation. Outer weight values indicate the weight of the value of each indicator as a measure of each latent variable. Indicators with the largest outer weight and outer weight indicate that the indicator as a measure of the strongest or dominant variable. The result of outer weight and outer weight indicator of seven latent variables measured, obtained by GSCA Bootstrap calculation which also produce critical ratio value (CR) which is similar to the statistical t value, if the weight value above 0.4 and CR value is greater than 1, 96 T table, it was decided significant. Detailed test results as in table 2, as follows:

Table 2. Measurement Model Test Results (Outer Model)

Indicator	Weight				Information
	Estimate	SE	CR (T)	P-Value	
Measurement Model of Asset Use Activity Variables (X)					
Carrent assets turnover (CATO)	0.758	0.026	29.15*	0.000	Significant
Inventory turnover (ITO)	0.409	0.061	6.70*	0.000	Significant
Receivable turnover (RTO)	0.538	0.059	9.12*	0.000	Significant
Fixed asset turnover (FATO)	0.682	0.034	20.06*	0.000	Significant
Total asset turnover (TATO)	0.873	0.011	79.36*	0.000	Significant
Measurement Model of Capital Structure Variable (Y1)					
Debt to assets ratio (DAR)	0.917	0.013	70.54*	0.000	Significant
Debt to equity ratio (DER)	0.888	0.030	29.60*	0.000	Significant
Long term debt to equity (LTDTE)	0.810	0.019	42.63*	0.000	Significant
Measurement Model of Financial Performance Variable(Y2)					
Return on asset (ROA)	0.954	0.013	73.38*	0.000	Significant
Return on equity (ROE)	0.907	0.011	82.45*	0.000	Significant
Net profit margin (NPM)	0.852	0.014	60.86*	0.000	Significant
Gross profit margin (GPM)	0.723	0.031	23.32*	0.000	Significant
Measurement Model of Corporate Value Variable (Y3)					
Closing price (CP)	0.943	0.012	78.58*	0.000	Significant
Price to book value (PBV)	0.955	0.009	106.11*	0.000	Significant
Tobin's q (Q)	0.627	0.073	8.59*	0.000	Significant
CR* = Sgnificant at 0.05 level					
Source: GSCA analysis results are processed in 2017.					

4.2.2 Test Result of Inner Model

The results of inner model test (structural model) explain the relationship between latent variables that describes the relationship between independent latent variables and latent dependent variables based on the substantive theory that defines the relationship of each latent independent variable with dependent latent variable. The coefficient of pathway of influence between independent latent variables on dependent latent variables is obtained through Generalized Structured Component Component Analysis (GSCA) calculations and a significant test is obtained through Bootstrapping which also encounters the value of the critical ratio (CR) which is equivalent to T. Inner model (structural model) in essence test the hypothesis in research. Hypothesis testing is done by T test on each connecting lane that influence between latent variables. Based on the results of GSCA analysis obtained a proven hypothesis model, as in table 3, the following:

Table 3. Structural Model test results (Inner Model)

Hypothesis	Path	Path Coefficients					Information	
		Estimate	SE	CR (T)	P-Value			
H1	X → Y1	-0.081	0.036	2.25*	0.000	Significant	H1 Accepted	
H2	X → Y2	0.423	0.046	9.20*	0.000	Significant	H2 Accepted	
H3	X → Y3	0.122	0.043	2.84*	0.000	Significant	H3 Accepted	
H4	Y1 → Y2	-0.202	0.036	5.61*	0.000	Significant	H4 Accepted	
H5	Y1 → Y3	0.164	0.029	5.66*	0.000	Significant	H5 Accepted	
H6	Y2 → Y3	0.747	0.038	19.67*	0.000	Significant	H6 Accepted	

CR* = Significant at 0,05 level

Source: GSCA analysis results are processed in 2017.

5. Discussion

Discussion of research findings conducted on four variables namely: (1) Variable asset usage activities; (2) Variables of capital structure; (3) Variable of financial performance; (4) Variable of Corporate value.

5.1 Asset Usage Activity Variable (X)

Asset use activity is a function of using funds to spend or invest in a Corporate's assets to produce goods and services for sale. In the operational activities the Corporate will use the assets that have been allocated its use. The better the use of assets by the Corporate, will make sales higher and gain higher profits too (Gopal, 2009: 207). Financial managers are required to take decisions related to asset use activities, and ensure the smooth operation of the Corporate. The financial manager will perform the funding function. The functions of the use of funds include the planning and control of the use of assets, either in current assets or fixed assets, and the allocation of funds embedded in each element of the assets is not too small or too large in number. Because if too small can disrupt the liquidity and business continuity, and on the other hand if too large amounts can lead to ineffective use of assets. The financing function in its implementation by the finance manager must take the decision on the choice of alternative funding or funding decision. So the funding function can be interpreted as the overall activities of the Corporate concerned to get the necessary funds with minimal cost and the most favorable terms and strive to use the funds as efficiently as possible. The use of funds must be done efficiently and effectively, meaning that any funds embedded in assets should be used as efficiently as possible to generate maximum profit, through increased sales volume.

Activity use of assets will determine the benefits achieved (Kamaludin and Indriani, 2012: 44). The Corporate must operate at a high level of activity, so no unemployed assets and the efficient use of assets will reduce the cost of managerial policies and increase profitability. 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 rotation rate reflects the relative productivity of each asset, or the level of sales volume derived from each dollar invested in a particular asset. High asset turnover rates are preferred over low (Subramanyam and Wild, 2013: 159-160). The higher the asset turnaround means the quicker the refunds into the Corporate, so that internal funds are available enough to re-invest, and can reduce the cost of debt, and increase profits that are expected to add wealth to the owners. The asset usage (X) variable is measured by current asset turnover (CATO), inventory turnover (ITO) turnover, receivable turnover (RTO) turnover; Fixed asset turnover (FATO), total asset turnover (TATO).

The development of current asset turnover of manufacturing industry companies in Indonesia Stock Exchange during 2010-2015 (table 1), namely: with the greatest value occurred in 2011 and 2012 of 2.2 times and the smallest 2 times in 2015. Average current asset turnover average is 2.14 times or inventory life 365 days / 2.14 days = 170.56 days. In general, manufacturing industry companies in Indonesia Stock Exchange has a current asset turnover rate of 2.14 times or the age of current assets 365 days / 2.14 times = 170.56 days. GSCA analysis results (table 2) shows that the current asset turnover has a weight estimate of 0.758 or a current asset turnover contributes 75.8 percent of asset usage activity. This indicates that the current asset turnover is a very powerful indicator in measuring asset usage activity. Turnover of current assets has a very important role in ensuring the effectiveness and efficiency of asset use to increase Corporate sales and accelerate cash adjustment, so that working capital is always available in sufficient quantities.

The current asset turnover is used to measure the intensity of current asset utilization by the Corporate (Subramanyam and Wild, 2013: 159-160). The high current asset turnover indicates that current assets are very effective in generating sales. Conversely, the low current level of asset turnover indicates that the current usage of less current assets is less effective in generating sales. The development of inventory turnover of manufacturing industry companies in Indonesia Stock Exchange during 2010-2015 (table 1), namely: with the greatest value occurred in 2010 of 7.67 times and the smallest 6.77 times in 2015. In general, manufacturing

industry companies in Bursa Indonesia's securities have an average inventory turnover rate of 7.12 times or inventory life of 365 days / 7.12 days = 51.26 days or average ability to sell merchandise inventory within a year. GSCA analysis results (table 2) shows that inventory turnover has a weight estimate of 0.409 or inventory turnover contributes 40.9 percent to asset usage activity. The high inventory turnover rate indicates that the Corporate's products are more competitive and supply enough to serve the high market demand. In contrast, low inventory turnover indicates that the Corporate's products are less competitive and market demand is low, while inventory is too large. The Corporate wants an inventory of goods in sufficient quantities to satisfy customers' needs without excess or out of stock (Subramanyam and Wild, 2013: 160-161).

The development of receivable turnover of manufacturing industry companies in Indonesia Stock Exchange during 2010-2015 (table 1) is: with the greatest value occurring in 2011 of 8.76 times and the smallest 7.3 times in 2015. Manufacturing industry companies in Indonesia Stock Exchange has an average turnover rate of 8.37 times a year or receivable age is 365 days / 8.37 times = 43.61 days. This means that in general, manufacturing industry companies in Indonesia Stock Exchange have the ability to collect receivables within 43.61 days. The result of GSCA analysis (table 2) shows that receivable turnover has weight estimate of 0,538 or receivable turnover contribute 53.38 percent to asset usage activity. The high receivable turnover rates indicate that Corporates sell merchandise on credit less than sell cash, serving customers with sufficient cash to pay in cash and increase sales volume. In contrast, low receivable turnover indicates that companies are selling more merchandise on credit to customers who do not have enough cash to pay in cash. So it can increase sales volume and anticipate the accumulation of inventory.

The development of fixed asset turnover of manufacturing industry companies in Indonesia Stock Exchange during 2010-2015 (table 1) is: the largest value occurred in 2011 of 3.93 times and the smallest 2.85 times in 2015. Manufacturing industry Corporates in the Stock Exchange Indonesia has an average fixed asset turnover of 3.44 times per year or time for one fixed asset turnover is 365 days / 3.44 times = 106.10 days. This means that in general the Corporate has the ability to use fixed assets to generate sales in a single round takes 106.10 days. GSCA analysis results (table 2) shows that fixed asset turnover has a weight estimate of 0.682 or fixed asset turnover contributes 68.2 percent to asset usage activity.

The rotation of fixed assets is used to measure the intensity of the use of fixed assets by the Corporate (Subramanyam and Wild, 2013: 161). The high turnover rates of fixed assets indicate that the use of fixed assets is very effective in generating sales. In contrast, low fixed asset turnover rates indicate that the use of fixed assets is less effective in generating sales. Fixed asset turnover can be increased through increased production and product sales, without increasing the amount of existing fixed assets. The development of the total asset turnover of manufacturing industry companies in Indonesia Stock Exchange during 2010-2015 (table 1), namely: with the greatest value occurring in 2011 of 1.63 times and and 2012 at 1.62 times and the smallest 1.02 times in year 2015. Manufacturing industry companies in Indonesia Stock Exchange have average turnover rate of total assets is 1.17 times in a year or time for one time total turnover of assets is 365 days / 1.17 times = 311.97 days. This means that in general, manufacturing industry companies in Indonesia Stock Exchange have the ability to use all assets to generate sales in a single round takes 311.97 days. GSCA analysis results (table 2) shows that asset turnover total assets have weight estimate of 0.873 or asset turnover total assets contributed 87.3 percent of asset usage Activities.

Taking into account the low turnover of total assets, the Corporate has not been effective to use all existing assets. In principle the Corporate wants a high turnover of total assets. The high turnover of total assets indicates that the use of total assets is very effective in generating sales. Asset turnover can be increased through increased production and product sales, without increasing the amount of existing assets. The activity ratio describes how much efficient the use of assets by the Corporate, as well as how much funds are embedded in each asset group of manufacturing industry companies in Indonesia Stock Exchange. If funds embedded in a particular asset are large enough, while those funds should be used for investments in other more productive assets, then profitability is not as good as it should be. The efficient and effective use of assets has an impact on debt reduction because there are savings, so as to increase profits (financial performance) and Corporate value. The use of assets will affect the capital structure, financial performance and corporate value.

5.2 Variable Capital Structure (Y1)

The capital structure is a combination of debt and equity in financing a Corporate's operations called leverage. Chou and Lee (2010) argue that capital structure is a mix of sources of debt and equity funds including reserves and profits from the Corporate. Leverage refers to the proportion of debt to equity in the Corporate's capital structure. The capital structure variable (Y1) is measured by total debt to equity ratio (DER) and long term debt to equity (LTDE) (Bokhari dan Khan (2013), Ogebe *et al.* (2013), Marobhe (2014), Chukwunweike *et al.* (2014), Oluwagbemiga (2013), Barakat (2014), Isaac (2014) .

Total debt to total assets ratio (DAR) is the ratio of total liabilities to total assets showing the relationship between total liabilities and total assets. Total debt to total assets ratio is used to measure how much the

Corporate's assets are financed by debt. If the Corporate has a high debt, it will burden the Corporate to pay fixed interest obligations and loan principal. Finally the Corporate must deal with the risk of bankruptcy if it fails to pay the debt. Therefore companies often use less debt than their own capital to obtain capital structures that generate high profits. The development of total debt to total asset ratio of manufacturing industry companies in Indonesia Stock Exchange during 2010-2015 (table 1), namely: with the largest value occurred in the year 2013 of 44.70 percent and the smallest 42.70 percent in 2012. Average value -rata DAR indicator amounted to 43.72 percent which means it is generally the companies sampled funded with debt amounting to 43.72 percent. GSCA analysis results (table 2) shows that total debt to total asset ratio has weight estimate of 0.941 or total debt to total asset ratio contributes 94.1 percent to capital structure. This indicates that debt to assets ratio (DAR) is a very strong indicator in measuring capital structure. Debt has a very important role in the capital structure of the Corporate to ensure the need for funds in finance the Corporate's assets.

Debt to equity ratio (DER) is the ratio of total liabilities to total equity showing the relationship between total liabilities and total equity. Debt to equity ratio (DER) is used to measure how much capital itself as a guarantee against total liabilities. The development of total debt to equity ratio of manufacturing industry companies in Indonesia Stock Exchange during 2010-2015 (table 1), namely: with the largest value occurred in 2010 of 116.11 percent and the smallest 95 percent in 2012. The average value of the DER indicator is 103.82 percent, meaning that in general the companies that become the sample have debt value of 103.82 percent or Rp.1,0382 debt while the value of own capital is Rp.1 used in financing the assets Corporate. GSCA analysis results (table 2) shows that the total debt to equity ratio has a weight estimate of 0.834 or total debt to equity ratio contributing 83.4 percent of capital structure. Manufacturing industry Corporates in Indonesia Stock Exchange are financed by debt larger than their own capital.

Long term debt to equity (LTDTE) is the ratio of total long-term liabilities with own capital (equity) which shows the relationship between long-term debt and own capital. Long term debt to equity (LTDTE) is used to measure how much equity is available to meet long-term liabilities. Where equity does not burden the Corporate to pay fixed interest charges. In this calculation using long-term debt that has a fixed interest to be paid by the Corporate, the consideration is in relation to the risk of the Corporate due to increased cost of debt.

The development of long term debt to equity of manufacturing industry companies in Indonesia Stock Exchange during 2010-2015 (table 1), namely: with the largest value occurred in 2010 amounted to 35.59 percent and the smallest 27.28 percent in 2012. Average value LTDTE indicator is 31.71 percent; means that manufacturing industry companies in Indonesia Stock Exchange generally have long term debts of 31.71 percent or Rp. 0.3171 long-term debt while own capital Rp.1. GSCA analysis results (table 2) shows that long term debt to equity has a weight estimate of 0.615 or long term debt to equity contributing 61.5 percent to capital structure. This shows that the sample companies are financed by long-term debt smaller than their own capital. In the case of solvency, industrial companies listed on the Indonesia Stock Exchange have good solvency.

The three indicators of capital structure variables (Y1), namely: DAR, debt to equity ratio (DER), and LTDTE significant means having the ability to measure the variable of capital structure. The results of analysis on DAR, DER, LTDTE indicate the ratio of debt owned by manufacturing industry companies in Indonesia Stock Exchange. The capital structure is influenced by asset usage activities, as well as other variables that are not examined in this research. The capital structure further affects the financial performance and Corporate value.

The main objective of the capital structure decision is to maximize the value of the Corporate through a combination of debt and equity that is appropriate in financing a Corporate's operations. Determination of the appropriate capital structure will minimize the cost of capital. In 1958 Modigliani and Miller proposed the theory of the Corporate's capital structure. Modigliani and Miller's first theory concludes that without taxes, then for debt-indebted or non-indebted Corporate does not affect the value of the Corporate. In 1963 Modigliani and Miller continued the theory of capital structure. Assuming there is an income tax, then the Corporate can use high debt to save taxes that will increase the value of the Corporate because the interest cost of the debt will reduce tax payments. But excessive use of debt will increase the cost of capital that decreases the value of the Corporate.

5.3 Financial Performance Variables (Y2)

Financial performance is the result achieved by a Corporate by using or managing resources efficiently and effectively in order to achieve a defined goal within a certain time. Where the measure of financial performance can be seen in the financial ratios of the Corporate itself (Keown et al., 1999: 77-78). 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 the ratio of net income to total assets within a certain time which shows the relationship between net income with total assets. Return on assets (ROA) is used to measure a Corporate's ability to manage assets to generate profits, thereby increasing the Corporate's financial capability to fund projects that have a "positive net present value" (Brakat, 2014).

The development of return on asset of manufacturing industry companies in Indonesia Stock Exchange

during 2010-2015 (table 1) is: with the greatest value occurred in the year 2011 amounted to 10.15 percent and the smallest 6.21 percent in 2015. The average value of ROA indicator is equal to 8.88 percent or 0.0888: 1 means that every Rp.1 assets generate net profit of Rp. 0.0888. This means that in general, manufacturing industry companies in Indonesia Stock Exchange has a net profit of Rp.0.0888 from each rupiah assets.

GSCA analysis results (table 2) shows that the return on assets has a weight estimate of 0.935 or return on assets contributed 93.5 percent to financial performance. This indicates that return on assets (ROA) is a very strong indicator in measuring financial performance. Return on assets has a very important role to measure the Corporate's ability to generate profits which is the return of the Corporate's assets from the investments made. Return on equity (ROE) is the ratio of net income after tax to total equity within a certain time indicating the relationship between. net profit after tax with total equity.

Return on equity (ROE) is used to measure a Corporate's ability to earn net after-tax profits available to equity owners, thereby increasing the wealth of shareholders, and consequently investors can assess management efficiency. The investors will increasingly trust and provide opportunities to management in managing the Corporate. The development of return on equity of manufacturing industry companies in Indonesia Stock Exchange during 2010-2015 (table 1) is: the largest value occurred in 2010 of 18.56 percent and the smallest 8.87 percent in 2015. The average value of ROE indicator is equal to 15.43 percent or 0.1543 means that each Rp.1 own capital generate profit of Rp.0, 1543. This means that in general, manufacturing industry companies in Indonesia Stock Exchange have net profit of Rp.0.1543 from each rupiah own capital. GSCA analysis results (table 2) shows that return on equity has a weight estimate of 0.760 or return on equity contributing 76.0 percent to financial performance.

Net profit margin (NPM) is the ratio of net income to total net sales results over a period of time indicating the relationship between net income and total net sales per unit. Net profit margin (NPM) is used to measure the Corporate's ability to earn an average net profit per unit of sales, as well as to measure sales performance (Almajali, 2012, Omondi and Muturi, 2013; Adi et al., 2013; Chukwunweike et al., 2014). The development of net profit margin of manufacturing industry companies in Indonesia Stock Exchange during 2010-2015 (table 1) is: with the greatest value occurred in the year 2010 of 8.48 percent and the smallest 4.59 percent in 2015. The average value of NPM indicator is equal to 7.29 percent or 0.0729: 1 means that every Rp.1 sales generate net profit of Rp.0.0729. This means that in general, manufacturing industry companies in Indonesia Stock Exchange have net profit of Rp.0.0729 from every rupiah net sales. GSCA analysis results (table 2) shows that net profit margin has a weight estimate of 0.822 or net profit margin contributing 82.2 percent to financial performance.

Gross profit margin (GPM) is the ratio of gross profit to total net sales results over a period of time indicating the relationship between gross profit and total net sales proceeds. Gross profit margin (GPM) is used to measure a Corporate's ability to earn an average gross profit per unit of net sales, and measure sales performance. The development of gross profit margin of manufacturing industry companies in Indonesia Stock Exchange during 2010-2015 (table 1) is: with the greatest value occurred in 2010 amounted to 24.65 percent and the smallest 22.44 percent in 2015. The average value of GPM indicator is equal to 23.83 percent or 0.2383: 1 means that every Rp.1 sales generate gross profit of Rp.0.2383. This means that in general, manufacturing industry companies in Indonesia Stock Exchange have gross profit of Rp.0.2383 from every rupiah net sales. GSCA analysis results (table 2) shows that gross profit margin has a weight estimate of 0.612 or gross profit margin contributing 61.2 percent to financial performance.

The Corporate's goal is to maximize the welfare of its owners through profitability achieved. The profitability of a Corporate will greatly determine the viability of the Corporate, and the Corporate will grow depending on the additional cash flow from the profits gained as an internal funding source. The ability of the Corporate to generate profits will determine the ability to provide funds to finance the growth of the Corporate and dividends or capital gains thus increasing the wealth of owners. If the Corporate has a good (high) financial performance will be a positive signal from the Corporate to the market, so many investors are interested to buy shares and make stock prices rise. The more that will buy then the price will rise and will happen otherwise if the Corporate performs low. The four indicators of financial performance variables (Y2), namely: ROA, ROE, NPM, and GPM are statistically significant, meaning it has the ability to measure financial performance variables. The results of analysis on ROA, ROE, NPM, and GPM indicate that financial performance is owned by manufacturing industry companies in Indonesia Stock Exchange. Financial performance is influenced by the asset usage activities, capital structure and other variables not examined in this study. Financial performance further affects the value of the Corporate.

5.4 Variable Corporate Value (Y3)

The value of the Corporate is equal to the stock price, ie the number of shares multiplied by the market value per sheet, then any increase in stock price will increase the value of the Corporate, or the decline in stock price will decrease the Corporate's value (Kamaludin and Indriani, 2012: 4). Modigliani and Miller (1958) argue that Corporate value is a Corporate's value depends only on the revenue stream generated by the asset. The value of

the Corporate's equity is the total value of shares plus net income. Net income is derived from net operating income minus debt interest and tax expense.

Corporate value indicators are Closing price (CP), Price to book value (PBV), Tobin's q. Closing price (CP) is the price of shares traded on the capital market upon closing of trading activity. The development of closing price (CP) of manufacturing industry companies in Indonesia Stock Exchange during 2010-2015 (table 1), namely: with the largest value occurred in 2012 amounted to Rp.18.787.64 and the smallest Rp.8.618,22 in 2015. Average CP indicator is Rp.12.726,6. GSCA analysis results (table 2) shows that the closing price has a weight estimate of 0,535 or closing price contributing 53.5 percent to the value of the Corporate.

In the Corporate 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 shows the value of the Corporate according to the capital market valuation at a certain time, indicating the relationship between the book value and the stock market price (Ghalandari, 2013). If the PBV is 1 then the market price is proportional to the book value. If the PBV ratio is less than 1 then the market price is less than the book value, then the market judges the Corporate's stock lower. PBV can also reflect the value of the Corporate. Companies that run well generally have a PBV above 1, which shows the market value is higher than the value of his book. Increased PBV, will also increase the stock return. Increased stock returns will increase the Corporate's earnings thereby increasing the Corporate's ability to pay dividends.

The development of price to book value (PBV) of manufacturing industry companies in Indonesia Stock Exchange during 2010-2015 (table 1), namely: with the largest value occurred in 2014 amounted to 3.34 times and the smallest 2.72 times in 2015. Value the average PBV indicator is 2.90 times the book value of equity, meaning that the manufacturing industry in the Indonesia Stock Exchange has a higher equity market value than the book value of equity. GSCA analysis results (table 2) shows that price to book value has a weight estimate of 0.888 or price to book value contributing 88.8 percent to the value of the Corporate. In reality there is so much variation about PBV that market prices reflect investor expectations. If investors' expectations of the price of one type of stock will rise, then demand for the stock is also high so that the price in the market is also relatively high. The market price can also be lower than the book value, so try using Tobin's q approach to measure the value of the Corporate.

Tobin's q is the market value of equity plus total debt divided by total assets at a certain time indicating the relationship between the market value of equity plus total debt with total assets (Adi et al., 2013). The development of Tobin's q manufacturing industry companies in Indonesia Stock Exchange during 2010-2015 (table 1), namely: with the largest value occurred in 2015 of 2.14 times and the smallest 1.79 times in 2010. The average value of Tobin's indicator q is 1,932 times; meaning that in general the book value of manufacturing industry assets in Indonesia Stock Exchange 1,932 above market value. The result of GSCA analysis (table 2) shows that the market value of equity plus total debt divided by total assets has a weight estimate of 0.918 or market value of equity plus total debt divided by total assets (Tobin's q) contributes 91.8 percent to Corporate value. This indicates that Tobin's q which is the market value of equity plus total debt of the Corporate divided by total assets is a very strong indicator and has a very important role to measure the value of the Corporate.

The three indicators of Corporate value variables (Y3), namely: CP, PBV, and Tobin's q are statistically significant, meaning having an impact to measure the variable of Corporate value. The results of analysis of CP, PBV, and Tobin's q (Q) indicate that the value Corporate owned by manufacturing industry in Indonesia Stock Exchange. Corporate value is influenced by Corporate growth, liquidity, business risk, asset usage activity, capital structure and financial performance, and other variables not examined in this research.

5.5 Effect of Asset Use Activities on Capital Structure

Asset use activities (X) has significant effect to capital structure (Y1), coefficient value of -0,081; CR value of 2.25* greater than 1.96; at P = 0.05 (table 3). The test results show enough empirical evidence to accept the hypothesis that "Activity usage of assets has a significant effect on the Corporate's capital structure", so hypothesis 1 is accepted. The statistical evidence shows negative and significant path coefficients. Negative path coefficient, meaning an increase in asset usage activity will decrease the capital structure. Path coefficient of influence of asset usage activity to capital structure of -0.081 can be interpreted that any increase of asset usage activity by 1 rupiah hence will cause decrease in debt in composition of capital structure equal to -0,081 rupiah. The theoretical implication of this empirical study is the increased activity of asset use lowering the capital structure. This can happen because an increase in net sales findings indicates that the Corporate is operating effectively, thus accelerating cash receipts. Rapid cash returns make the amount available to reinvest and reduce debt and interest costs.

5.6 Effect of Asset Use Activities on Financial Performance

Asset use activities (X) has significant effect on financial performance (Y2), coefficient value of 0,423 CR value 9.20* bigger than 1,96; at P = 0.05 (table 3). The test findings show enough empirical evidence to accept the

hypothesis that "Asset use activities has a significant effect on financial performance", so hypothesis 2 is accepted. The statistical results show the positive and significant path coefficients. The coefficient of positive path means increased activity asset usage will improve financial performance. Path coefficient of influence of asset usage activity to financial performance equal to 0,423 can be interpreted that every increase of asset usage activity equal to 1 rupiah hence will result increase in financial performance equal to 0,423 rupiah. The theoretical implication of this empirical study is the increased activity of the use of financial performance assets. This can happen because an increase in net sales findings indicates that the Corporate is operating effectively, thus accelerating cash receipts. Rapid cash returns make the amount available to reinvest and earn a profit.

The use of funds must be done efficiently and effectively in order to increase maximum profits. The functions of the use of funds include the planning and control of the use of assets, both in current assets and fixed assets, and the allocation of funds embedded in each element of the asset is not too small in number so as to disrupt the liquidity and business continuity, and other parties are not too large in number unemployment fund. Companies operating at high activity mean no assets are idle so that the efficient use of assets results in lower cost of managerial policies and improve the profitability of the Corporate.

Leverage irrelevance theory (Modigliani and Miller, 1958) argues that investment decisions determine profits and affect the value of the Corporate. The logic of the investment decision decides what investment is chosen, how much its investment value, when and where the investment is implemented. After the investment is made then it will carry out production process activities using assets that have been allocated by the Corporate to find goods or services for sale and income. So investment decisions alone are not enough to have an impact on financial performance and Corporate value, but must also be supported by effective and efficient asset usage activities to bring in revenues or profits. Companies operating effectively and efficiently will gain high profits, thus having retained earnings and debt reduction, as suggested by pecking order theory (Myers and Majluf, 1984). High asset usage activities reflect the efficiency in asset management by the Corporate (Kamaludin and Indriani, 2012: 44). The Du-Pont analysis provides an analytical framework that links the activity ratios, debt ratios, and profitability ratios to determine return on equity (Hanafi, 2010: 51-52). Effective and efficient use of assets will reduce debt costs, can increase profits and value of the Corporate.

5.7 Effect of Asset Management Activities on Corporate Value

Asset use activities (X) has significant effect to Corporate value (Y3), coefficient value of 0,122; CR value of 2.84* greater than 1.96; at $P = 0.05$ (table 3). The test results show enough empirical evidence to accept the hypothesis that "The activity of asset use has a significant effect on Corporate value, so hypothesis 3 is accepted. The statistical results show the positive and significant path coefficients. The coefficient of positive path means increased activity asset improvement will increase Corporate value. Path coefficient of influence of asset usage activity to Corporate value equal to 0,122 can be interpreted that every increase of asset usage activity equal to 1 rupiah hence will cause increase in Corporate value equal to 0,122 rupiah. The theoretical implication of this empirical study is the increase in asset usage activity will increase the value of the Corporate. This can happen because an increase in net sales indicates that the Corporate is operating effectively, thus accelerating cash receipts. Rapid cash returns make the amount available to reinvest and earn profits and add value to the Corporate.

5.8 Effect of Capital Structure on Financial Performance

Capital structure (Y1) has a significant effect on financial performance (Y2), coefficient value of -0.202; CR value of 5.61* greater than 1.96; at $P = 0.05$ (table 3). The test results show enough empirical evidence to accept the hypothesis that "The capital structure has a significant effect on financial performance" so hypothesis 4 is accepted. The statistical evidence shows negative and significant path coefficients. Negative path coefficient, meaning an increase in debt in the capital structure will degrade financial performance. Path coefficient of influence of capital structure to the financial performance of -0.202 can be interpreted that any debt in the composition of capital structure of 1 rupiah will result in a decrease in financial performance of -0.202 rupiah. The theoretical implication of this empirical study is the improvement of capital structure to a certain degree will degrade financial performance. This can happen, because the debt in the capital structure has interest costs that will reduce the Corporate's profit. If the debt is higher then the interest cost will also rise and negatively affect the Corporate's profit.

The findings of this study support pecking order theory (Myers and Majluf, 1984) predict 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 Corporate is experiencing financial difficulties. The findings of this study support the findings of 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. Companies that have

the ability to encounter high profits generally have low debt levels, so they will have a lower risk. Capital structure has an important role in determining the Corporate's financial performance, as explained by pecking order theory (Myers and Majluf, 1984) states that companies prefer internal funding sources rather than external sources of funds. So a Corporate with large retained earnings will reduce the use of debt, because high debt will add to fixed costs which negatively impact on 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 future investment assets and opportunities and prospects (Myers and Majluf, 1984).

The findings of this study do not support trade off theory (Modigliani and Miller, 1963) predict 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 to 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 capital structure has a positive and negative impact on financial performance.

5.9 Effect of Capital Structure on Corporate Value

Capital structure (Y1) has a significant effect on Corporate value (Y3), coefficient value of 0,164; CR value of 5.66* greater than 1.96; at $P = 0.05$ (table 3). The test findings show enough empirical evidence to accept the hypothesis that "The capital structure has a significant effect on Corporate value", so hypothesis 5 is accepted. The statistical findings show a positive and significant path coefficient. The positive path coefficient means the increase of debt in the capital structure to some degree will increase the value of the Corporate. Path coefficient of influence of capital structure to the financial performance of 0.164 can be interpreted that any increase of debt in the composition of capital structure of 1 rupiah will result in a decrease in financial performance of 0.164 rupiah. The theoretical implication of this empirical study is the improvement of capital structure to a certain extent will increase the value of the Corporate.

Capital structure influences Corporate value, as explained by trade off theory, pecking order theory, and leverage signalling theory that capital structure has significant influence and direction of positive relation to Corporate value. The findings of this study support the trade off theory (Modigliani and Miller, 1963) predicts a positive relationship between capital structure and Corporate value with the assumption of tax profits is still greater than the cost of financial difficulties and agency costs, the tax advantage on the use of debt will have a positive impact on the value of the Corporate (Barakat, 2014). The findings of this study support pecking order theory (Myers and Majluf, 1984) argue that if Corporates are willing to use external sources of funding, it should choose debt first before new equities, because debt is cheaper and less sensitive to asymmetric information, so the capital markets will react positively against the issuance of debt and make the Corporate's stock price rise. Conversely, if the Corporate wants to issue new shares, the cost is higher and very sensitive to asymmetric information, so the capital market will react negatively to the issuance of new shares, and make the Corporate's stock price down (Ogbulu and Emeni, 2012). The findings of this research support leverage signalling theory (Ross, 1977) argues that debt is a credible signal about the quality and prospects of the Corporate in the future, so that the market will react positively to the Corporate's stock price. The findings of this study support the findings of Chowdhuri and Chowdhuri (2010), Ogbulu and Emeni (2012), Oluwabemiga (2013), Barakat (2014), Isaac (2014) findings of capital structure have a significant and positive effect on Corporate value.

The findings of this study do not support the findings of the Ghalandari (2013) study, Adi et al. (2013), Asiri and Hameed (2014), Siahaan et al. (2014) found that capital structure has significant and negative effect on Corporate value. The theoretical implication of empirical study is the improvement of capital structure to a certain level will reduce the value of the Corporate. The theoretical and empirical explanations show that capital structure has a positive and negative impact on Corporate value.

5.10 Effect of Financial Performance on Corporate Value

Financial performance (Y2) has significant effect to Corporate value (Y3), coefficient value of 0,747; CR value 19.67* greater than 1.96; at $P = 0.05$ (table 3). The test results show enough empirical evidence to accept the hypothesis that "Financial performance has a significant effect on Corporate value", so hypothesis 6 is accepted. The statistical results show the positive and significant path coefficients. The coefficient of positive path, means the improvement of financial performance will increase the value of the Corporate. Path coefficient of influence of financial performance to the value of the Corporate amounted to 0.747 can be interpreted that any increase in financial performance of 1 rupiah will result in an increase in the value of the Corporate of 0.747 rupiah. The theoretical implication of this empirical study is that improving financial performance will increase the value of the Corporate.

The findings of this study support Cash flow signaling hypothesis and permanent earnings hypothesis (Lintner, 1956); (Marsh and Merton, 1987) stated that high profitability shows high financial performance, and is a signal that the Corporate 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 on Corporate value. High profitability affects the Corporate's financial flexibility, so that the Corporate can pay dividends to shareholders.

The Corporate will get a positive appraisal by the capital market, and raise its share price. Profitability gained will greatly determine the life of a sustainable Corporate, and the Corporate will grow depending on one of the additional capital of the profits gained. The ability of the Corporate to find the profits will determine the ability to provide funds to finance the Corporate'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 then the price will rise (the law of demand and supply), will happen otherwise if the Corporate performs low. Ghosh and Arijit (2008) explained that financial performance has a positive impact on Corporate value. Increased profits provide a signal that better control and operation of the Corporate, thus impacting the increase in the value of equity.

The findings of this study support the findings of Ghosh and Arijit (2008) research, Adi et al. (2013), Asiri and Hameed (2014) find financial performance has a significant and positive impact on corporate value. The theoretical implications of the empirical study are the improvement of financial performance will increase the value of the Corporate. The ability of a profit-making Corporate will determine the ability to provide funds to finance the Corporate's growth and dividends for owners, ultimately the wealth of owners increases. Many investors are interested in buying shares from high performing companies, the more will buy the price will rise (the law of demand and supply), will happen otherwise if the Corporate performs low.

6. Conclusions

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

- 1) Asset use activities has a significant effect to capital structure. The statistical evidence shows 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.
- 2) Asset use activities has a 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 the use of financial performance assets.
- 3) Asset use activities has a significant effect the value of the Corporate. The statistical results show the positive and significant path coefficients. The coefficient of positive path means increased activity asset improvement will increase Corporate value. The theoretical implication of this empirical study is the increase in asset usage activity will increase the value of the Corporate.
- 4) Capital structure has a significant effect on financial performance. The statistical evidence shows negative and significant path coefficients. Negative path coefficient means increased capital structure will decrease financial performance. The theoretical implication of this empirical study is the improvement of capital structure to a certain degree will degrade financial performance.
- 5) Capital structure has a significant effect on Corporate value. The statistical results show the positive and significant path coefficients. The coefficient of positive path means increased capital structure up to a certain level will increase Corporate value. The theoretical implication of this empirical study is the improvement of the capital structure to a certain extent increasing the value of the Corporate.
- 6) Financial performance has significant effect on Corporate value. The statistical proof shows the positive path coefficient, meaning the improvement of financial performance will increase the value of the Corporate. The theoretical implication of this empirical study is the improvement of financial performance to increase the value of the Corporate.

7. Recommendation

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

Advice for Advanced Research

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

- 1) Future research can add other variables that have not been included in this research model, to obtain a more comprehensive research model.

- 2) Integrate financial statement data and other relevant information to overcome the limitations of historical data in the financial statements.
- 3) Further research can be done elsewhere in a longer time, or replace other research objects.

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 Corporate. Management should consider the Corporate'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) Increase asset use activities to enable the Corporate 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 Corporate value.
- 2) Use debt at the lowest possible cost level in order to increase profits.
- 3) Maintain and improve financial performance, because financial performance is a very powerful variable in determining the value of the Corporate. Because investors will appreciate the shares of companies that have high financial performance at the highest price. 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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