

CHAPTER I

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

For companies that still go public, maximizing company value can be reflected in high stock prices. Company value is important because it can describe the condition of the company. With the good value of the company, prospective investors will look good at the company because the high value of the company reflects the company's good performance. In addition, the value of the company can portray prospects and expectations of the ability to increase the company's wealth in the future (Wahyudi, 2016). Company value can be seen from price to book value (PBV), which is a comparison between the price of shares and book value per share. Based on these comparisons, the company's stock price can be known to be above or below the book value. Therefore, the existence of PBV is very important for investors to determine their strategy. In this study, the author uses price to book value (PBV) to describe the value of the company.

To achieve profit goals, the company relies on its activities in the form of sales, the greater the sales volume, the greater the profits the company will get. Companies in general have three goals in sales, namely achieving sales volumes, earning certain profits, and showing company growth and company value. (Rahardi, 2013) Sales growth is an increase in sales between the current year compared to the previous year which is expressed as a percentage. sales growth reflects the company's success in investments made in the past period, so that it can predict the company's growth in the future. The role of growth for companies is that companies that are efficient in growing can survive

because they reflect a high level of business activity. Companies must use and manage their resources to generate revenue through sales.

Fund decisions are the primary responsibility of financial managers to raise funds needed by the company for investment and operations. When a company needs to get funds, the company can invite investors to invest cash in exchange for a share of future profits, or promise to pay off the investor's cash plus a fixed interest rate. (Campus, 2015) Fund and investment decisions (both long and short term) are of course interrelated. The amount of investment determines the amount of fund that must be obtained, and investors who contribute to current fund expect a return on investment in the future. Therefore, the investment made by the company today must produce future returns to be paid to investors. In this decision financial managers are required to consider and analyze a combination of economic sources of funds for companies to buy investment needs and their business. In this study, fund decisions are proxied by the debt to assets ratio.

The value of the company is also determined by the profitability of the company. Namely the company must be able to increase the company's net profit. High profitability will attract investors because high profitability will result in an increase in company value. (Aprillia, 2017) Profitability in this study is proxied by Return on Equity (ROE). Return on Equity (ROE) is a ratio that shows how much the company's ability to generate net income to return equity to shareholders.

Among the many companies that have gone public and listed on the Indonesia Stock Exchange (BEI), one of which is a manufacturing company, especially in basic industrial and chemical sectors. The basic industrial and chemical sectors represent the elements used in everyday life. Almost all products of daily life are products of basic industrial and chemical companies. The cultivation

of plants and animals requires chemical fertilizers such as feed (animal feed), insecticides and pesticides. A wide range of building materials and construction materials are chemically produced, such as metals, cement, lime, ceramics, plastics and paints. Clothing materials use synthetic fibers and dyes. Transport depends on the availability of gasoline and similar fuels. Written communication uses paper and printing ink, whereas electronic communications require chemically treated insulators and conductors. Public health is maintained and maintained with medicines and pharmaceutical ingredients, soaps and detergents, insecticides and disinfectants are all chemical products. In the coming years, Indonesia's basic and chemical industries are expected to develop at a steady pace. (industrial development in Indonesia in 2012). The largest contribution to the formation of GDP in the non-oil and gas manufacturing industry was given by the food and beverage industry branch of 34.95 percent, followed by the metal industry, computers, electronics, optics and electrical equipment 10.46 percent, and the transportation equipment industry 10.11 percent.

Table 1.1 Table of Phenomena

Company Name	Year	Last year's sales (millions rupiah)	This year's sales (millions rupiah)	Total liabilities (millions rupiah)	Income after tax (millions rupiah)	Stock price (millions rupiah)
PT. Ekadhama Internasional Tbk	2013	385,037	418,668	105,893	39,450	390
	2014	418,668	526,573	138,149	40,756	515
	2015	526,573	531,537	97,730	47,040	400
	2016	531,537	568,638	110,503	90,685	590
	2017	568,638	643,591	133,949	76,195	720
PT. Charoen Pokphand Indonesia Tbk	2013	21,310,925	25,662,992	5,771,297	2,528,690	3,375
	2014	25,662,992	29,150,275	9,919,150	1,746,644	3,780
	2015	29,150,275	30,107,727	12,123,488	1,832,598	2,600
	2016	30,107,727	38,256,857	10,047,751	2,225,402	3,090
	2017	38,256,857	49,367,386	88,197,680	2,496,787	3,000
PT Argha Karya Prima Industry, Tbk	2013	1,509,185	1,663,385	1,055,230	34,620	810
	2014	1,663,385	1,945,383	1,191,196	34,659	830
	2015	1,945,383	2,017,466	1,775,577	27,644	875
	2016	2,017,466	2,047,218	1,495,874	52,393	900
	2017	2,047,218	2,064,857	1,618,713	13,333	725

Source: www.idx.co.id

In 2016-2017, there was an increase in sales at PT Argha Karya Prima Industry, Tbk by 0.86%, but at the same time the stock price decreased by 24.1%.

In 2014-2015, there was an increase in total debt at PT. Charoen Pokphand Indonesia Tbk amounted to 22.2% but at the same time the share price decreased by 45.4%.

In 2014-2015, an increase in net income after tax at PT Ekadharma Internasional Tbk amounted to 19.2% but at the same time the stock price decreased by 28.8%.

Based on the background above, this study is entitled: "The Influence of Sales Growth, Fund Decisions and Return on Equity Against Company Value in Basic and Chemical Industry Companies Listed on the Indonesia Stock Exchange in 2013-2017"

1.2 PROBLEM LIMITATION

The researchers limit his research on the influence of sales growth, fund decision, and return on equity againts company value in basic and chemical industries companies listed on Indonesia Stock Exchange in year 2013 – 2017. To do so, the researcher calculated it using SPSS.

1.3 PROBLEM FORMULATION

Based on the background, the research problems can be formulated as follows:

1. Does sales growth affect the value of the company in basic industrial and chemical companies listed on the Indonesia Stock Exchange in 2013-2017?
2. Does fund decisions affect the value of the company in the basic industrial and chemical companies listed on the Indonesia Stock Exchange in 2013-2017?

3. Does the return on equity affect the value of the company in the basic industrial and chemical companies listed on the Indonesia Stock Exchange in 2013-2017?
4. Does sales growth, fund decisions and return on equity affect the value of the company in the basic industrial and chemical companies listed on the Indonesia Stock Exchange in 2013-2017?

1.4 OBJECTIVE OF THE RESEARCH

The objective expected from this research are as follows:

1. To test and analyze the effect of sales growth on company value on basic industrial and chemical companies listed on the Indonesia Stock Exchange in 2013-2017.
2. To test and analyze the effect of fund decisions on the value of the company on basic industrial and chemical companies listed on the Indonesia Stock Exchange in 2013-2017.
3. To test and analyze the effect of return on equity on company value on basic industrial and chemical companies listed on the Indonesia Stock Exchange in 2013-2017.
4. To test and analyze the effect of sales growth, fund decisions and return on equity on the value of the company in the basic industrial and chemical companies listed on the Indonesia Stock Exchange in 2013-2017.

1.5 BENEFIT OF THE RESEARCH

1.5.1 Theoretical Benefit

For Researchers, the results of this study are expected to increase knowledge and insight regarding the variables that affect the value of companies in basic and chemical industry companies on the Indonesia Stock Exchange (IDX).

The results of this study are expected to be used as reference materials and contributions in the development of theories regarding company value, sales growth, fund decision and return on equity.

1.5.2 Practical Benefit

1. For UPH Medan Campus

The results of this study are expected to be used as material for future scientific students and references for Students of the Accounting Study Program of the Faculty of Economics, UPH Medan Campus.

2. For Company

The results of this study are expected to be useful to be used as material for comparison and input and material for planning consideration in the future.

1.6 SYSTEMS OF WRITING

To provide a comprehensive picture of the contents of this study, the paper is divided into five chapters as follows:

CHAPTER I: Introduction

This chapter describes the background of the study. From this background, the problem is formulated, followed by the objectives and the benefits from this study, as well as the system of writing.

CHAPTER II: Literature Review and Hypothesis Development

This chapter consists of the foundation of the study which is the theories that will support the formulation of hypotheses. Analysis results of research, previous research, hypothesis development, research model and the framework of thinking.

CHAPTER III: Research Methodology

This chapter describes the methodology of the research. Starting from the population and the sample, followed by the

definition of each variable used in the research, method used to collect the data and the data analysis.

CHAPTER IV: Data Analysis and Discussion

Chapter Four describes Research findings which consist of the data classification, data analysis, descriptive statistic, the result of data quality testing, the result of hypothesis testing and the discussion.

CHAPTER V: Conclusion

This chapter consists of Conclusion, Implication and Recommendation.

