

**THE EFFECT OF ASSET GROWTH, BUSINESS RISKS, AND INVESTMENT OPPORTUNITY SET (IOS) ON CAPITAL STRUCTURE AND COMPANY VALUE IN THE PROPERTY SECTOR AND REAL ESTATE COMPANIES LISTED ON THE IDX FOR THE 2017-2021 PERIOD**

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**ABSTRACT**

*This study aimed to identify and analyze the effect of asset growth, business risk, and investment opportunity sets on capital structure and firm value. The population used in this study are property and real estate sector companies listed on the Indonesia Stock Exchange from 2017 to 2021, totaling 65 companies. Determination of the sample in this study using a purposive sampling technique so that the number of samples is as many as 34 companies. Data analysis uses path regression with the help of Smart PLS. The results of the research that has been carried out in this study are (1) Asset growth has a positive and insignificant effect on capital structure, (2) Business risk has a negative and significant effect on capital structure, (3) Investment opportunity set (IOS) has a negative and insignificant effect on capital structure, (4) capital structure has a positive and insignificant effect on firm value, (5) asset growth has a negative and significant effect on firm value, (6) business risk has a positive and insignificant effect on firm value to the firm and (7) Investment opportunity set (IOS) has a negative and insignificant effect on firm value.*

**Keyword** : Asset Growth; Business Risk; Investment Opportunity Set; Capital; Company Value

## INTRODUCTION

The property and real estate business is a business that is known to have fast-changing (volatile) characteristics and persistent and complex competition. The increase in property prices is caused by land prices tending to rise and land supply increasing frequently with the increase in population and increasing human needs for housing, offices, shopping centers, amusement parks, and so on. It is appropriate that the development company gets a large profit from increased property prices. With the profits obtained, the development company can improve its financial performance, which in turn will be able to increase share prices. To compete in tight trade, companies are competing to carry out corporate activities to develop their business to make it more convincing and well-known. Capital is an important source of funding for the continuity of company operations.

The development and improvement of real estate and property companies are very dependent on a good capital structure. Capital structure determines optimal capital for a company to help managers understand how the combination of capital influences company size. The optimal capital structure is based on a balance between the benefits of own capital and the costs of borrowing. Companies with a good capital structure can influence loan capital providers to control the company level with low debt levels so that the company is able to pay its obligations in order to attract investors to invest capital which is also useful for improving the company.

A company with a large scale will have an impact on rising share prices, and the company value will be high. Companies with a large size are considered to be better able to provide a level of return on investment, thereby reducing investor uncertainty about the company. Good quality companies will deliberately give signals to the market. In this way, the market is expected to be able to differentiate between good and bad quality companies to influence investors' interest in investing, which can increase share prices so that increasing share prices will increase the company's value. (Tandelilin, 2012).

Funding decisions are seen from the capital structure; a good capital structure is optimal. Optimal capital structure is a condition where a company can use a combination of debt and equity ideally, namely balancing the value of the company and the cost of its capital structure. (Riyanto, 2013). Many factors can influence the capital structure of a company perusahaan diantaranya pertumbuhan asset, resiko terhadap bisnis dan investment opportunity set (IOS).

Asset growth is the company's ability to increase its size, as seen from increased assets. Asset growth is the company's ability to increase its size, which can be seen from the annual changes in the total assets owned by the company. Companies always need funds to grow and develop; aside from available internal funds, external funds, such as debt, are also needed. Companies with a high growth rate require more capital from outside because companies that grow rapidly will show greater self-strength, and the company will definitely need more funds. (Aurelia and Setijaningsih, 2020).

Apart from asset growth, business risk can also affect capital structure. Companies with large business risks must use less debt than those with low business risks. This is because the greater the business risk, the use of large debt will make it more difficult for companies to repay their debt. The greater the company's business risk, the lower the optimal debt risk. Business risk, the uncertainty inherent in the projected future rate of return on assets (ROA), is the most important determinant of a company's capital structure. (Brigham and Houston, 2014)

Another factor that can influence capital structure is the investment opportunity set (IOS), which describes the breadth of investment opportunities for a company. Still, it really depends on the company's choice of expenditure for future purposes. Companies that grow quickly require large amounts of capital and have the opportunity to borrow more. So, companies with high investment opportunities must be balanced with increased capital. Other factors must be considered in making capital structure decisions. (Brigham and Houston, 2014)

The capital structure is expected to increase company profits, which in turn can increase the welfare of company owners through increasing prosperity or company value. The right combination in choosing capital will produce an optimal capital structure, which can become a strong foundation for the company to carry out activities to bring maximum profits and increase the company's value. Company value is an investor's perception of the company's level of success, which is often related to the share price formed between buyers and sellers at the time of the transaction. (Tunggal and Ngatno, 2018)

Another factor that can influence a company's value is business risk, where risk is related to the possibility of undesirable or unexpected bad consequences occurring; this possibility indicates the existence of uncertainty, which can cause risk to grow. Risk identification is carried out so the company can manage its risks. By managing risks, uncertainty related to these risks can be minimized. Risk measured from the company's perspective is divided into business and financial risks, which will impact company value. (Brigham and Houston, 2014).

The increase in company value is also influenced by the Investment Opportunity Set (IOS), which is a choice of future investment opportunities that can influence the growth of company assets or projects with a positive net present value. So, IOS has a very important role for companies because IOS is an investment decision in the form of a combination of assets owned (assets in place) and investment options in the future,

where IOS will influence the value of a company. (Juarsa et al, 2019). The company can manage additional company share capital to increase productive assets so that it has the potential to increase company growth, and the company value will also increase.

The aim of this research is to determine and analyze the influence of asset growth, business risk, and investment opportunity set on capital structure and company value in property and real estate sector companies listed on the IDX for the 2017-2021 period.

## LITERATURE REVIEW

### Agency Theory (Agency Theory)

Agency theory was first put forward by Jensen and Meckling in 1976, who explained that agency theory is a contract between the owner/shareholder and the managing manager in which both the owner and the manager work together to maximize welfare. An agency relationship occurs when one person (principal) employs another person (agent) to provide a service and then delegates decision-making authority. The principal is a shareholder/investor, while the Agent is the management who manages the company.

The connection between agency theory and solvency is when managers are interested in increasing debt levels. With this, there will be a conflict between the principal and the agent. Increasing solvency will also affect company profits.

### Stakeholder Theory

According to (Ghozali & Chairiri, 2012), this theory initially emerged due to the development of awareness and understanding that companies have stakeholders. These parties are interested in the company, such as the government, creditors, shareholders, consumers, and others (Brigham and Houston, 2014).

The relationship between stakeholder theory and liquidity variables, asset turnover, and company size, especially for external stakeholders. In this case, financial institutions generally provide credit only to companies in the large category with productive assets and can pay off short-term liabilities more quickly.

### The value of the company

Company value is investors' perception of a company's success level, which is often linked to share prices. Company value can maximize shareholders' prosperity if the company's share price increases. The higher the share price, the higher the company value. (Brigham and Houston, 2014).

### Capital Structure

Capital Structure is the balance or comparison between foreign capital and own capital. In this case, Foreign capital is defined as long-term and short-term debt. Meanwhile, capital itself can be divided into retained earnings and company ownership. Capital structure theory explains the influence of changes in a company's capital structure on company value if investment decisions and dividend policies are held constant. (Brigham and Houston, 2017).

### Asset Growth

Assets are assets used for company operational activities. The greater the assets, the greater the operational results produced by the company. Asset growth is defined as the annual change in total assets. An increase in assets followed by an increase in operating results will further increase external parties' trust in the company. With increasing trust from outside parties (creditors) in the company, the proportion of debt funding sources is increasingly greater than own capital. This is based on creditors' confidence that the funds invested in the company are guaranteed by the size of the assets owned by the company. (Zuhro, 2016)

### Business Risk

According to Brigham and Houston (2017), what is meant by business risk is a function of the uncertainty inherent in the projected return on capital invested in a company. So, company management should consider the business risks before deciding to use debt.

### Investment Opportunity Set (IOS)

According to Ramli and Papilaya (2015), company value is a combination of real asset value (assets in place) and future investment options. This future investment option became known as IOS. Investment choices are an opportunity for growth, but companies cannot always implement all of these investment opportunities in the future. Companies that cannot use these investment opportunities will experience expenses higher than the value of the lost opportunity. Investment opportunity value is the present value of a company's choices to make investments in the future.

## **Relationship Between Variables and Hypotheses**

### **The Effect of Asset Growth on Capital Structure**

A high growth rate will depend on external funding sources because internal funding sources are insufficient to support a high level of asset growth for the company. Companies that have the opportunity to grow and develop by investing always need funds; apart from available internal funds, additional external funds such as debt are also needed. Companies with fast growth rates rely more on external capital. This is because a growing company will show greater strength so that the company will need more funds. (Zuhro, 2016).

The research results of Anita and Sembiring (2019) explain that asset growth influences capital structure. The same results are also explained in Baharuddin's (2021) research that asset growth influences capital structure. While Aurelia and Setijaningsih's (2020) research explains that asset growth has no effect on capital structure, the same results are also explained in Zuhro's (2016) research, where asset growth has no effect on capital structure. Based on the explanation above, the hypothesis in this research is:

**H1 predicts that asset growth has a positive effect on capital structure.**

### **The Influence of Business Risk on Capital Structure**

Business risk is one of the risks faced by a company when carrying out operational activities, namely the possibility of the company being unable to fund its operational activities. The company's business risk affects the survival of the company, the company's ability to pay its debts, and the interest of investors to invest funds in the company and affects the company's ability to obtain funds to carry out its operational activities. (Primantara and Dewi, 2016).

The research results of Anita and Sembiring (2019) explain that business risk influences capital structure, which is also explained in the research. Different things were produced in research by Primantara and Dewi (2016), explaining that business risk has a negative effect on capital structure. Meanwhile, the research results of Sawitri and Lestari (2015) explain that business risk has no effect on capital structure. Based on the explanation above, the hypothesis in this research is:

**H2 predicts that asset growth has a negative effect on capital structure.**

### **The Effect of Investment Opportunity Set (IOS) on Capital Structure**

Companies with higher growth rates create greater investment needs. Debt usually increases when investments exceed retained earnings and vice versa. Companies that grow quickly require large amounts of capital and have the opportunity to borrow more. Companies with high growth potential are thought to have high investment opportunities, so they require high funding, which is not enough if it is only funded from the company's internal funds (capital). (Yulia and Ifaksara, 2016)

In research, Udayani and Suaryana (2013) explain that the investment opportunity set (IOS) has an influence on capital structure. Research by Yulia and Ifaksara (2016) explains that the investment opportunity set (IOS) has an influence on capital structure. Meanwhile, Aji's (2017) research explains that the investment opportunity set (IOS) has no effect on capital structure. Based on the explanation above, the hypothesis in this research is:

**H3 predicts that asset growth has a positive effect on capital structure.**

### **The Effect of Asset Growth on Company Value**

Asset growth has a strong effect on company value, especially in small and medium companies, because investors can predict the level of return that will be obtained by looking at the company's investment or financing activities. Increased asset growth will have profitable prospects for investment because it is likely that the returns that will be obtained will also be high, thus being a positive signal for investors, which will cause share prices to increase. Companies with large growth in total assets will find it easier to get the attention of investors and creditors because it reflects the company's ability to generate profits, which can be used to increase the number of assets, which can then increase the company's value. (Dewi and Sudiarta, 2017)

Based on research by Saraswathi et al. (2016) explaining that company growth affects company value, Perwira and Wiksuana's research (2018) explains that asset growth affects company value. Different results were also explained in Dewi and Sudiarta's (2017) research, where asset growth had no effect on company value. Based on the explanation above, the hypothesis in this research is:

**H4 predicts that asset growth has a positive effect on company value.**

### **The Influence of Business Risk on Company Value**

This is in accordance with the trade-off theory, which states that the greater the debt, the greater the risk of bankruptcy that the company will bear, which will cause the company's value to fall. The greater the fixed interest expense that must be paid, the greater the risk. Furthermore, the income obtained decreases, and this has an impact on the risks that arise and have an impact on the value of the company. High business risk will reduce

the company's ability to obtain loans because the company will not be able to bear the fixed burden of debt. (Rahmi and Swandari, 2021)

Based on research, Saraswathi et al. (2016) explain that business risk influences company value. In research by Wiagustini and Pertamawati (2015), business risk negatively and significantly affects company value. Different things are explained in research by Rahmi and Swandari (2021), explaining that business risk has no effect on company value. Based on the explanation above, the hypothesis in this research is:

**H5 predicts that business risk has a negative effect on company value.**

### The Influence of the Investment Opportunity Set (IOS) on Company Value

Investment Opportunity Set (IOS) is an investment decision in the form of a combination of assets owned (assets in place) and investment options in the future, where the IOS will affect the value of a company. The amount of IOS depends on future expenditures determined by management which are expected to produce high returns. Therefore, these management actions cannot be observed so that management has the potential to act not in accordance with the interests of the principal, for example, by reporting profits opportunistically. The company is able to manage additional company share capital to increase productive assets so that it has the potential to increase company growth. (Nurcahyani and Suardikha, 2017)

The research results of Syardiana et al. (2015) explain that the investment opportunity set (IOS) has an influence on company value. The same results are explained in the research of Juarsa et al. (2019) that the investment opportunity set (IOS) has an influence on company value. Different results are explained in research by Nurcahyani and Suardikha (2017), explaining that the investment opportunity set (IOS) has no effect on company value. Based on the explanation above, the hypothesis in this research is:

**H6 is suspected that the Investment Opportunity Set (IOS) positively affects company value.**

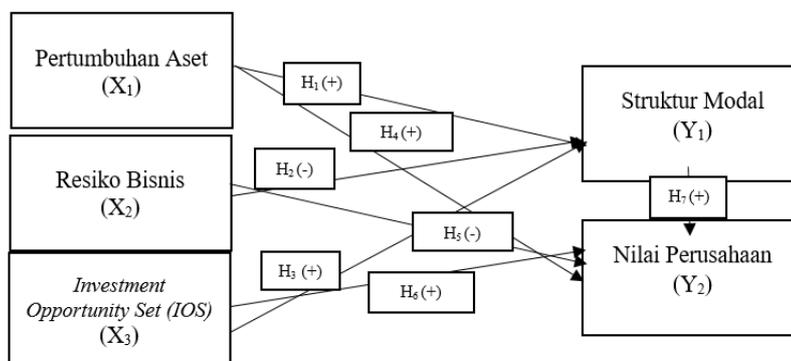
### The Influence of Capital Structure on Company Value

Trade-off theory suggests that capital structure can positively influence company value. The company's value will increase if the position of the capital structure is at the bottom of the optimal point. Likewise, the company's value will decrease if the position of the capital structure is at the top of the optimal point. This is an assumption from trade-off theory. So, by assuming that the optimal capital structure has not yet reached the target point, based on trade-off theory, it can be predicted that capital structure and company value will have a positive relationship. (Syardiana et al (2015)

Tunggal and Ngatno's (2018) research results explain that capital structure influences company value. The same thing is explained in Novitasari and Krisnando's (2021) research, which explains that capital structure influences company value. While research conducted by Syardiana et al. (2015) explains that capital structure has no effect on company value, the same thing is also explained in research by Nurcahyani and Suardikha (2017), which explains that capital structure has no effect on company value. Based on the explanation above, the hypothesis in this research is:

**H7 predicts that capital structure has a positive effect on company value.**

### Framework



Source: Journal developed from previous research,2022

**Figure 1. Framework of Thought**

## METHODOLOGY

### Population and Sample

The population used in this research is property and real estate sector companies listed on the Indonesia Stock Exchange during the period 2017 to 2021, totaling 65 companies. Determining the sample in this study used a purposive sampling technique, so the total sample was 34 companies.

### Variable Operational Analysis

**Table 1. Operational Variables**

No	Variabels	Indicator	Scale
1	Asset Growth (X <sub>1</sub> )	$\text{Asset Growth} = \frac{\text{Total Assets } t - \text{Total Assets } t-1}{\text{Total Assets } t-1}$ (Anita dan Sumbiring, 2019).	Rasio
2	Business Risk (X <sub>2</sub> )	$\text{DOL} = \frac{\% \alpha \text{ EBIT}}{\% \alpha \text{ Sale}}$ (Saraswathi et al, 2016)	Rasio
3	Investment Opportunity Set (X <sub>3</sub> )	$\text{MV/BE} = \frac{\text{Number of share outstanding Share} \times \text{Closing Price}}{\text{Total Equity}} \times 100\%$ (Udayani dan Suaryana, 2013).	Rasio
4	Capital Structure (Y)	$\text{DER} = \frac{\text{Total Long Term Debt}}{\text{Total Equity}}$ (Wiagustini dan Pertamawati, 2015).	Rasio
5	Company Value (Y <sub>2</sub> )	$\text{PER} = \frac{\text{MPS (Market Price Per Share)}}{\text{EPS (Profit Per Share)}}$ (Wiagustini dan Pertamawati, 2015)	Rasio

### Data Types and Sources

The type of data used in this research is quantitative data, which is data collected in the form of numbers, which is obtained from calculating the questionnaire/questionnaire that will be carried out and is related to the problem that will be researched. Meanwhile, the data sources used in this research are primary data and secondary data.

### Data collection technique

The data collection techniques used in this research were interviews, questionnaires and literature study

### Data Analysis Techniques

#### Normality test

The normality test is used to test the independent variable data (X) and the dependent variable data (Y) in the resulting regression equation. Normal distribution or non-normal distribution. A good regression model is a regression model that has a normal or close to normal distribution, so it is feasible to carry out statistical testing. Data normality testing uses the Kolmogorov-Smirnov Test of Normality. If the data is not normally distributed, then the test is carried out using Smart – PLS.

**Multicollinearity Test**

The multicollinearity test is applied for multiple regression analysis consisting of two or more independent variables. The guideline for a regression model that is free of multicollinearity is to have a tolerance number close to 1. The VIF limit is 10, if the VIF value is below 10, then multicollinearity does not occur.

**RESULTS AND DISCUSSION****RESEARCH RESULTS AND DISCUSSION****Descriptive Analysis****Table 2. Descriptive Analysis**

	N	Minimum	Maximum	Mean	Std. Deviation
Asset Organization	170	-99.90	310.48	5.9624	28.59856
Business Risk	170	-266.54	596.05	28.9274	101.87974
IOS	170	-3.75	6426.39	411.1296	977.19977
Capital Structure	170	.25	673.00	60.6519	102.44277
The value of the company	170	-545.23	1041.06	27.6207	135.67373
Valid N (listwise)	170				

Based on the results of the descriptive analysis that has been produced for each variable, it explains (1) the asset growth variable with a minimum value of -99.90 and a maximum value of 310.48 with an average value of 5.9624. (2) The business risk variable has a minimum value of -266.54 and a maximum value of 596.05 with an average value of 28.9274. (3) The Investment Opportunity Set (IOS) variable has a minimum value of -3.75 and a maximum value of 6426.39 with an average value of 411.1296. (4) In the Capital Structure variable with a minimum value of 0.25 and a maximum value of 673.00 with an average value of 60.6519 and (5) in the Company Value variable with a minimum value of -545.23 and a maximum value of 1041.06 with an average value of 27.6207.

**Multicollinearity Test**

To detect whether there are symptoms of multicollinearity between independent variables, Variance Inflation Factor (VIF) and Tolerance are used. The limit of the Tolerance Value is 0.10 and the VIF limit is 10.

**Table 3. Multicollinearity Test Results**

	Company Value	Capital Structure
Investment Opportunity Set	<b>1,039</b>	<b>1,035</b>
Asset Growth	<b>1,096</b>	<b>1,093</b>
Business Risk	<b>1,145</b>	<b>1,124</b>
Capital Structure	<b>1,027</b>	

Source: PLS 2022

From table 3 above, it can be seen that the VIF (Variance Inflation Factor) of each variable in this study shows a number smaller than 10. This means that the variables in this study do not have symptoms of multicollinearity.

**Coefficient of Determination Test (R<sup>2</sup>)**

The coefficient of determination test (R<sup>2</sup>) aims to explain the proportion of variation in the dependent variable that is explained by the independent variables together.

**Table 5. Coefficient of Determination Test Results (R<sup>2</sup>)**

	R Square	Adjusted R Square
The value of the company	0,068	0,045
Capital Structure	0,026	0,008

Source: PLS 2022

The results of the coefficient of determination explain that asset growth, business risk and Investment Opportunity Set (IOS) on capital structure is 0.045 or 4.5% while the rest is influenced by other variables. Meanwhile, asset growth, business risk and Investment Opportunity Set (IOS) and capital structure on company value were 0.008 or 8%, 0.045 or 4.5%.

**Predictive relevance (Q<sup>2</sup>)**

The value of Q<sup>2</sup> predictive relevance is 0.02, the validity of the predictive relevance of the model is weak; 0.15 validity of predictive relevance of model moderate; and 0.35 indicates that the predictive relevance validity of the model is strong.

**Table 4. Q<sup>2</sup> predictive relevance test**

Variable	R Square	Predictive Relevance (Q <sup>2</sup> )	Information
Capital Structure	0,026	$1 - (1 - 0,026) = 0,026$	Weak
The value of the company	0,068	$1 - (1 - 0,068) = 0,068$	Weak

Source: PLS 2022

Based on the table above, the value (Q<sup>2</sup>) of predictive relevance for each test is classified as weak.

**Effect Size (F<sup>2</sup>)**

Determining the magnitude of the direct influence on latent endogenous is classified into 3 categories: 0.02 small influence, 0.15 medium influence, and 0.35 large influence. Less than 0.02 indicates there is no influence (Setiawan, 2020:25).

**Table 5. Effect Size Test (F<sup>2</sup>)**

	Capital Structure	The value of the company
Investment Opportunity Set	0,004	0,000
Asset Growth	0,003	0,032
Business Risk	0,019	0,059
Capital Structure		0,000

Based on the table above, asset growth, business risk and Investment Opportunity Set (IOS) have a small influence on capital structure. While asset growth and business risk have a small influence, the investment opportunity set (IOS) and capital structure have no influence on company value.

**Hypothesis test**

The following are the results of hypothesis testing used in this research

The Effect of Asset Growth, Business Risks, and Investment Opportunity Set (IOS) on Capital Structure and Company Value in the Property Sector and Real Estate Companies Listed on The IDX for the 2017-2021 Period (Cintya Jessica, Yusnita Octafilia, Bob Novitriansyah, Peri Akri, and Edita Yolanda Malika Simanjuntak)

**Table 6. Hypothesis Testing**

	Sampel Asli (O)	T Statistik (  O/STDEV  )	P Values (1 Tailed)	P Values (1 Tailed)	Keterangan
Asset Growth -> Capital Structure	0,052	0,719	0,472	0,236	Positive and insignificant influence
Business Risk -> Capital Structure	-0,142	1,751	0,081	0,041	Positive and insignificant influence
investment Opportunity Set -> Capital Structure	-0,063	1,431	0,153	0,077	Positive and insignificant influence
Asset Growth -> Company Value	-0,180	1,681	0,093	0,047	Positive and insignificant influence
Business Risk -> Company Value	0,251	3,248	0,001	0,001	Positive and insignificant influence
Investment Opportunity Set -> Company Value	-0,015	0,400	0,689	0,345	Positive and insignificant influence
Capital Structure -> Company Value	0,020	0,401	0,689	0,345	Positive and insignificant influence

Source: PLS 2022

### Discussion

#### **The Effect of Asset Growth on Capital Structure in Property and Real Estate Sector Companies Listed on the IDX for the 2017-2021 Period.**

The research results show that the 2-tailed significant value is  $0.236 > 0.05$ , so the hypothesis is rejected, explaining that asset growth has a positive and insignificant influence on the capital structure of property and real estate sector companies listed on the IDX for the 2017-2021 period.

A high growth rate will depend on external funding sources because internal funding sources are insufficient to support a high level of asset growth for the company. Companies that have the opportunity to grow and develop by investing always need funds, apart from available internal funds, additional external funds such as debt are also needed. Companies with fast growth rates rely more on external capital. This is because a growing company will show greater strength, so the company will need more funds. (Zuhro, 2016).

#### **The Influence of Business Risk on Capital Structure in Property and Real Estate Sector Companies Listed on the IDX for the 2017-2021 Period.**

The research results show that the 2-tailed significant value is  $0.041 < 0.05$ , so the hypothesis is accepted, explaining that business risk has a negative and significant influence on the capital structure of property and real estate sector companies listed on the IDX for the 2017-2021 period.

Business risk is one of the risks faced by a company when carrying out operational activities, namely the possibility of the company being unable to fund its operational activities. The company's business risk affects the survival of the company, the company's ability to pay its debts, and the interest of investors to invest funds in the company and affects the company's ability to obtain funds to carry out its operational activities. (Primantara and Dewi, 2016).

### **The Influence of the Investment Opportunity Set (IOS) on the Capital Structure of Property and Real Estate Sector Companies Listed on the IDX for the 2017-2021 Period.**

The research results where the 2-tailed significant value is  $0.077 > 0.05$  means the hypothesis is rejected explaining that the investment opportunity set (IOS) has a negative and insignificant influence on the capital structure of property and real estate sector companies listed on the IDX for the 2017-2021 period.

Companies with higher growth rates create greater investment needs. Debt will usually increase when investments made exceed retained earnings, and vice versa. Companies that grow quickly require large amounts of capital and have the opportunity to borrow more. Companies that have high growth potential are thought to have high investment opportunities so they require high funding, which is not enough if it is only funded from the company's internal funds (capital). (Yulia and Ifaksara, 2016).

### **The Influence of Capital Structure on Company Value in Property and Real Estate Sector Companies Listed on the IDX for the 2017-2021 Period.**

The results of the research where the 2-tailed significant value is  $0.345 > 0.05$ , the hypothesis is rejected, explaining that capital structure has a positive and insignificant influence on company value in property and real estate sector companies listed on the IDX for the 2017-2021 period.

Trade off theory suggests that capital structure can positively influence company value. The value of the company will increase if the position of the capital structure is at the bottom of the optimal point. Likewise, the value of the company will decrease if the position of the capital structure is at the top of the optimal point. This is an assumption from trade off theory. So, by assuming that the optimal capital structure has not yet reached the target point, based on trade-off theory, it can be predicted that capital structure and company value will have a positive relationship. (Syardiana et al (2015).

### **The Effect of Asset Growth on Company Value in Property and Real Estate Sector Companies Listed on the IDX for the 2017-2021 Period.**

The research results show that the 2-tailed significant value is  $0.047 < 0.05$ , so the hypothesis is accepted, explaining that asset growth has a negative and insignificant influence on company value in property and real estate sector companies listed on the IDX for the 2017-2021 period.

Asset growth has a strong effect on company value, especially in small and medium companies, because by looking at the company's investment or financing activities carried out, investors can predict the level of return that will be obtained. Increased asset growth will have profitable prospects for investment because it is likely that the returns that will be obtained will also be high, thus being a positive signal for investors which will cause share prices to increase. Companies that have large growth in total assets will find it easier to get the attention of investors and creditors because it reflects the company's ability to generate profits which can be used to increase the number of assets which can then increase the value of the company. (Dewi and Sudiarta, 2017).

### **The Influence of Business Risk on Company Value in Property and Real Estate Sector Companies Listed on the IDX for the 2017-2021 Period.**

The research results show that the 2-tailed significant value is  $0.001 < 0.05$ , so the hypothesis is accepted, explaining that business risk has a positive and significant influence on company value in property and real estate sector companies listed on the IDX for the 2017-2021 period.

In accordance with trade off theory which states that the greater the debt, the greater the risk of bankruptcy that the company will bear, which will cause the company's value to fall. This is because the greater the fixed interest expense that must be paid will increase the risk. Furthermore, the income obtained decreases and this has an impact on the risks that arise and have an impact on the value of the company. High business risk will reduce the company's ability to obtain loans because the company will not be able to bear the fixed burden of debt. (Rahmi and Swandari, 2021).

### **The Influence of the Investment Opportunity Set (IOS) on Company Value in Property and Real Estate Sector Companies Listed on the IDX for the 2017-2021 Period.**

The results of the research where the 2-tailed significant value is  $0.345 > 0.05$ , the hypothesis is rejected, explaining that the investment opportunity set (IOS) has a negative and insignificant influence on the capital structure of property and real estate sector companies listed on the IDX for the 2017-2021 period.

Investment Opportunity Set (IOS) is an investment decision in the form of a combination of assets owned (assets in place) and investment options in the future, where the IOS will affect the value of a company. The amount of IOS depends on future expenditures determined by management which are expected to produce high returns. Therefore, these management actions cannot be observed so that management has the potential to act not in accordance with the interests of the principal, for example by reporting profits opportunistically. The

company is able to manage additional company share capital to increase productive assets so that it has the potential to increase company growth. (Nurchayani and Suardikha, 2017).

## CONCLUSION

Based on the results of research that has been carried out, the conclusions in this research are (1) Asset growth has a positive and insignificant influence on capital structure (2) Business risk has a negative and significant influence on capital structure, (3) Investment opportunity set (IOS) has a negative and insignificant influence on capital structure, (4) capital structure has a positive and insignificant influence on company value, (5) asset growth has a negative and significant influence on company value, (6) business risk has a positive and insignificant influence on the firm value of the company and (7) Investment opportunity set (IOS) has a negative and insignificant influence on firm value.

Based on the results of research that has been carried out, there are several limitations in this research, namely (1) Many companies experience losses so that the resulting profit growth is less than satisfactory and (2) There are many variables that have no influence so they need to be developed with better data analysis.

The suggestions in this research are (1) Potential investors are advised to choose companies that have high performance and company value so that they will provide a higher return on invested capital, (2) Companies, especially companies in the property sector and real estate to be able to manage each asset optimally to obtain profits in line with expectations and (3) For further research, it is hoped that this research can be developed in the hope that it can produce even better research results such as adding other variables.

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