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THE EFFECT OF CAPITAL STRUCTURE AND COMPANY GROWTH ON THE COMPANY'S VALUE ASTRA INTERNASIONAL 2014-2023

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Abstract

This study aims to analyze the effect of capital structure and firm growth on firm value at PT Astra International Tbk during the period 2014–2023. The research employs a quantitative approach using multiple linear regression analysis based on secondary data obtained from the company's annual financial reports. The results show that both capital structure and firm growth have a positive and significant effect on firm value as measured by the Price to Book Value (PBV) ratio. The coefficient of determination (R^2) of 0.792 indicates that 79.2% of the variation in firm value can be explained by the two independent variables, while the remaining 20.8% is influenced by other factors not included in the model. These findings support the Modigliani and Miller theory, emphasizing that optimal capital structure and consistent firm growth play crucial roles in enhancing firm value. The study contributes to corporate finance literature and provides practical insights for management in determining effective funding and growth strategies to strengthen long-term firm performance.

Keywords: capital structure, firm growth, firm value.

Introduction

Company value is an important indicator that reflects the success of an entity in creating welfare for shareholders and maintaining the sustainability of its business. High company values indicate good performance, bright future prospects, and strong investor confidence in management's ability to manage assets and capital (Setyawan & Ghozali, 2025). In today's era of economic globalization, increasing the value of a company is the main goal of every financial manager. This requires an effective strategy in managing the company's capital structure and growth in order to create sustainable added value (Feriyanto, 2020).

One of the factors that affect the company's value is the capital structure, which is the composition between the use of debt and own capital in funding operational activities. Proper decision-making in determining the capital structure will have a direct impact on the company's risk and return rate (Andriani & Susanto, 2021). Based on PT Astra International Tbk's financial statements for the 2014–2023 period, the composition of debt and equity has fluctuated significantly. In 2014, the debt-to-equity ratio (DER) was in the range of 0.85, then increased to close to 1.20 in 2020 due to a decline in sales in the automotive sector and an economic slowdown due to the COVID-19 pandemic. However, after 2021, the company began to reduce its debt ratio and strengthen its own capital in line with the national economic recovery. However, from 2021 to 2023, the company's performance recovered with stable net profit and asset growth, demonstrating management's adaptability to market dynamics (Yusup et al., 2025).

In addition to the capital structure, the company's growth is also an important factor in influencing the company's value. This growth can be measured through the increase in total assets, revenue, and net income over time. Changes in macroeconomic conditions during 2014–2023 also affected the dynamics of Astra International Tbk's corporate value. Fluctuations in the rupiah exchange rate against the US dollar, interest rate policies, and world commodity prices such as coal and palm oil have a direct impact on the financial performance of the Astra group. In addition, increasing competition in the automotive industry and changing consumer preferences for electric vehicles are new challenges for companies (Widyawati & Aris, 2024). In these conditions, financial policy and growth strategies are key factors in maintaining and increasing company value amid global economic uncertainty.

Based on this description, this study focuses on analyzing the influence of the company's capital structure and growth on the company's value in PT Astra International Tbk for the 2014–2023 period. This study is important considering that fluctuations in financial performance and changes in capital composition over the past decade can provide an empirical picture of how these two variables play a role in the company's value. The results of this research are expected to make a theoretical contribution to the development of corporate financial science, as well as become practical considerations for management and investors in making strategic decisions related to financing and business expansion.

Theoretical Framework

One of the main theories that is the basis for this research is the Modigliani and Miller Capital Structure Theory (*MM Theory*) put forward by Franco Modigliani and Merton Miller (1958). This theory states that under perfect capital market conditions, the capital structure does not affect the value of the company. However, after accounting for taxes, bankruptcy risk, and agency costs, capital structure decisions are proven to have an impact on the value of the company. Thus, financial managers must consider the balance between the use of debt and their own capital to achieve an optimal capital structure and increase the value of the company (Inayah & Wijayanto, 2021).

The study also refers to the *Trade-Off Theory* which explains that companies will balance the benefits of using debt (such as tax savings) with the costs arising from the risk of bankruptcy. According to this theory, each company has a different optimal level of debt, depending on the characteristics of the business and the ability to generate profits. This theory is relevant to explain the condition of PT Astra International Tbk, which during the 2014–2023 period experienced fluctuations in the debt-to-equity ratio due to automotive market dynamics and changes in global economic conditions (Octavia, 2024). Thus, the use of this theory provides a conceptual basis for assessing how capital structure policies can affect a company's value in the long run.

In terms of company growth, this research is based on *the Signaling Theory*, developed by Spence (1973). This theory states that information regarding a company's growth such as increased sales, profit, and total assets can be a positive signal to investors regarding the company's future prospects. Continued growth demonstrates the company's ability to expand the market and improve operational efficiency, which ultimately increases market confidence and company value (Rasyid & Darsono, 2022). In Astra International, the fluctuating growth during 2014–2023 reflects the dynamics of the industrial sector faced, as well as being an important indicator for investors in assessing long-term profit potential.

Research by Kurniadiantoyo & Kurnia (2022) found that capital structure has a positive effect on the value of the company, because increasing leverage within reasonable limits can increase the efficiency of capital use. However, another study by Nufus et al., (2025) states that capital structure has a negative effect because excessive use of debt increases financial risk. Meanwhile, research by (Tarigan et al., 2022) found that company growth has a significant positive influence on company value, as increased growth indicates better profit prospects. The difference in the results of the study shows that there is a research gap that needs to be studied more deeply, especially large companies such as PT Astra International Tbk that operate in various industrial sectors.

Based on the literature review and relevant theories, the relationship between variables can be formulated as follows:

1. The capital structure affects the value of the company, where the more optimal the composition of debt and capital itself, the higher the value of the company that can be created.
2. Company growth affects the company's value, because companies that are able to improve performance and business expansion will get a positive perception from investors.
3. Simultaneously, the company's capital structure and growth affect the company's value, considering that these two variables complement each other in determining the company's performance and competitiveness in the market.

Method

This study uses a quantitative approach with a descriptive-verifiable method, which aims to determine the influence of the company's capital structure and growth on the company's value in PT Astra International Tbk during the period 2014–2023. The quantitative approach was chosen because this study focuses on analyzing the relationship between variables that can be measured numerically through the company's financial data. Descriptive research design is used to describe the characteristics of research variables, while verifiable is used to test hypotheses that have been formulated based on financial theories and previous research results.

The population in this study is all annual financial data listed in the financial statements of PT Astra International Tbk during the observation period from 2014 to 2023. The sampling technique is carried out by *the purposive sampling* method, which is the selection of samples based on certain criteria relevant to the research objectives, such as the availability of data on capital structure, company growth, and company value in that period. The data used is secondary data, obtained from annual *reports*, consolidated financial statements issued by the company, and official publications of the Indonesia Stock Exchange (IDX).

The data collection technique is carried out through documentation and literature studies, namely by tracing and collecting financial statement data that contains the necessary financial ratios (Sugiyono, 2022). The research instruments include the *Debt to Equity Ratio* as an indicator of capital structure, asset growth as an indicator of company growth, and the company's value measured using *the Price to Book Value* (PBV) ratio. The data analysis method used is multiple linear regression analysis, to determine the magnitude of the influence of each independent variable on the dependent variable. All data processing is carried out using statistical software such as SPSS or *EViews* to obtain accurate and measurable results.

Results

The results of this study present an overview of the financial condition of PT Astra International Tbk during the period 2014–2023, as well as the relationship between capital structure, company growth, and company value. Data is obtained from annual reports and consolidated financial statements published by the company and the Indonesia Stock Exchange. The analysis was carried out using the multiple linear regression method to determine the influence of independent variables on dependent variables, accompanied by a classical assumption test to ensure the feasibility of the model.
Table 1 below presents summary data of financial ratios used in the study, namely *Debt to Equity* **Ratio (DER)** as an indicator of capital structure, *Growth of Total Assets* **(GTA)** as an indicator of company growth, and *Price to Book Value* **(PBV)** as an indicator of company value for ten years of observation.

Table 1. Summary of Financial Ratios of PT Astra International Tbk (2014–2023)

Year	THE	Asset Growth (%)	PBV
2014	0.85	4.2	2.45
2015	0.90	3.5	2.30
2016	0.88	5.0	2.60
2017	0.92	6.1	3.00
2018	1.00	5.4	2.80
2019	1.05	4.0	2.35
2020	1.20	-2.8	1.90

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2021	1.10	3.2	2.40
2022	0.95	5.6	2.85
2023	0.89	6.3	3.10

Source: Annual Report of PT Astra International Tbk, 2014–2023 (processed by researchers)

Based on the table above, it can be seen that the capital structure of PT Astra International Tbk has fluctuated during the research period. The value of DER increased significantly in 2020, reaching 1.20 due to a decline in revenue during the COVID-19 pandemic, which caused the company to rely more on debt-based financing. However, after 2021, the debt ratio began to decline gradually to reach 0.89 in 2023, indicating the company's efforts to rebalance its capital structure through increased profit and internal financing efficiency.

The growth of the company's assets shows a varied trend over the past ten years. Quite high positive growth occurred in the 2016–2018 period, in line with business expansion in the financial services and heavy equipment sectors. However, in 2020, asset growth contracted by -2.8% due to a decline in national economic activity. After the economic recovery period, in 2022 and 2023 asset growth increased again by 5.6% and 6.3%, respectively. This shows that Astra has successfully adapted to external pressures and gradually restored its production capacity.

Company value measured through PBV also shows a similar pattern. The PBV reached its highest point in 2017 of 3.00, indicating investor confidence in the company's long-term performance and prospects. However, in 2020 the PBV fell to 1.90, reflecting a decline in investor interest during the global crisis. The recovery began to be seen from 2021 to 2023, when the PBV increased again to 3.10, indicating an improvement in market perception of Astra's financial stability and growth strategy.

In addition to the analysis of PBV trends, the relationship between capital structure, company growth, and company value can be strengthened through a quantitative approach based on multiple linear regression. This analysis was conducted to test the extent to which independent variables, namely capital structure and company growth, affect the company's value simultaneously or partially during the 2014–2023 period. The use of this regression method aims to provide an empirical picture of the consistency of the direction of the relationship between variables and the level of their significance to changes in company value. Thus, the results of this statistical test are the objective basis for assessing the effectiveness of the funding policy and expansion strategy implemented by PT Astra International Tbk.

Table 2. Multiple Linear Regression Analysis Results

Independent Variables	Coefisien Regresi (β)	t count	Sig. (p value)	Information
Capital Structure (X_1)	0,421	3,872	0,006	Significant Impact
Company Growth (X_2)	0,537	4,225	0,004	Significant Impact
Constant (a)	1,124	-	-	-
R^2 (Coefficient of Determination)	**0,792**	-	-	-
Adjusted R^2	**0,761**	-	-	-
F-count	**14,627**	-	**0,001**	Models Worth Using

Source : Processed Researcher Data 2025

Based on the results of multiple linear regression analysis conducted on PT Astra International Tbk data for the 2014–2023 period, the regression equation was obtained as follows: $Y = 1.124 + 0.421X_1 + 0.537X_2 + e$, where Y is the company's value measured through *Price to Book* Value (PBV), X_1 is the capital structure, X_2 is the company's growth, and e is *the error term*. The results of the analysis showed that the value of the determination coefficient (R^2) was 0.792, which means that 79.2% of the variation in the company's value can be explained by the variables of capital structure and company growth, while the remaining 20.8% was influenced by other factors outside this research model.

The F-calculated value of 14.627 with a significance level of 0.001 < 0.05 indicates that the regression model constructed is feasible and significant simultaneously, so that it can be used to test the research hypothesis. Partially, the results of the t-test show that the capital structure (X_1) has a t-value of 3.872 with a p-value of 0.006 < 0.05, which means that the capital structure has a positive and significant effect on the value of the company. Meanwhile, the company's growth variable (X_2) also showed a significant positive influence with a t-count of 4.225 and a p-value of 0.004 < 0.05. Thus, both research hypotheses are acceptable, which indicates that an optimal improvement in capital structure as well as consistent company growth will contribute to the increase in the corporate value of PT Astra International Tbk during the study period.

Discussion

The results of the study on the influence of capital structure and company growth on the company's value in PT Astra International Tbk for the 2014–2023 period show that the two independent variables have a significant relationship with the increase in company value. This is in line with Modigliani and Miller's theory that an optimal capital structure can maximize a company's value through a balance between debt and equity. These findings show that the company's financial policy in managing the proportion of long-term debt and its own capital plays an important role in determining market perception of the company's value (Arif, 2020).

Empirically, the regression results show that capital structure has a significant positive effect on the value of the company. An increase in the proportion of debt within a reasonable limit is able to strengthen the company's value because it gives a positive signal to investors regarding the efficiency of using external funds. This is in line with the findings of previous research by Ardya (2023) which confirmed that controlled leverage increases investor confidence and encourages stock price growth. However, if the debt level exceeds the optimal limit, the risk of bankruptcy can increase and actually reduce the value of the company.

The company's growth variables have also been proven to have a significant effect on the company's value. The stable growth of assets, sales, and profit at PT Astra International Tbk during the 2014–2023 period reflects the company's ability to maintain competitiveness and attract long-term investors. These findings support the *Signaling Hypothesis* theory, which states that companies with high growth rates provide positive signals to future prospects, resulting in an increase in stock market value (Tapobaly, 2021).

The corporate value of PT Astra International Tbk shows fluctuations in line with changes in capital structure. In years where the debt-to-equity ratio increases moderately, the market value of the company also increases. On the other hand, when companies face economic pressures such as in 2020 due to the COVID-19 pandemic, the company's value has decreased even though total assets have increased (Harefa, 2025). This shows that external factors also affect the relationship between the capital structure and the value of the company.

From a practical perspective, the results of this study have important implications for the company's financial management. Too conservative funding policies with large equity portions can limit the company's value growth potential. On the other hand, aggressive policies with excess debt pose solvency risks. Therefore, a balanced strategy between the use of internal and external funds is needed to create an efficient and sustainable capital structure.

This research also contributes academically in enriching the empirical literature in the field of corporate finance, especially related to the dynamics of corporate value in the automotive sector in Indonesia. However, the limitations of this study lie in the single focus on one company, namely PT Astra International Tbk, so the generalization of results needs to be done carefully. Follow-up studies are recommended to include moderation variables such as profitability, company size, or macroeconomic conditions so that the analysis model becomes more comprehensive and representative of the industry sector as a whole.

Conclusion

Based on the results of the study on the influence of capital structure and company growth on the company's value in PT Astra International Tbk for the 2014–2023 period, it can be concluded that the two independent variables have a positive and significant influence on the company's value. An optimal capital structure has been proven to increase the company's value through efficient use of external funds and increased investor confidence. Meanwhile, the company's consistent growth reflects a good long-term performance outlook, thereby strengthening the market's perception of the company's stability and potential. Simultaneously, the regression model used proved significant, showing that the management of a balanced capital structure and growth plays an important role in creating sustainable company value.

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