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Influence Free Cash Flow and Growth Opportunity against Company Values with leverage as a Variable Intervening

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ABSTRACT

The purpose of this research is to test and analyze the effect free cash flow and growth opportunities to company value with leverage as a variable intervening in textile and garment companies on the IDX in the 2019-2022 period. In this study the approach used by researchers is quantitative research and uses statistical formulas to help analyze the data and facts obtained. This data collection uses secondary data which can be taken from the Textile and Garment Sector companies listed on the IDX in the 2019-2022 period. The research model used ispath analysis. Data processing path analysis using program assistance IBM SPSS Statistics 25. The research results conclude Free Cash Flow not able to affect the value of the company (PBV), Free Cash Flow able to influence Leverage (THE), Growth opportunity (PER) is able to affect the value of the company (PBV), Growth opportunity (PER) is not able to influence leverage (THE), Leverage (DER) is not able to affect the value of the company (PBV), Leverage (DER) is not able to mediate the relationship between free cash flow to firm value (PBV), Leverage (DER) is not able to mediate the relationship between Growth Opportunity (PER) to firm value (PBV).

1. INTRODUCTION

Globalization makes competition in the world of business and business increasingly stringent. That is what causes the company to constantly strive to improve performance which can be seen in the company's value. Firm value is very important for the company, because the main goal of the company itself is to increase the value of the company. A high company value is the desire of every investor because a high value indicates the prosperity of the shareholders. This is in accordance with the opinion expressed by Salvatore (2005) which states that the company's main goals arego public is increasing the prosperity of the owner or shareholders through increasing the value of the company.

Firm value is an important measure in seeing how well a company is performing. That's why, increasing the value of the company is the main goal of every company besides seeking profits. Because an increase in company value indicates an achievement that is considered important which has an impact on increasing the welfare of the company owner or shareholders. The value of the company itself according to Noerirawan & Muid (2012) is a condition that has been achieved by a company as an

illustration of public trust in the company after going through a process of activity for several years, namely since the company was founded until now.

Firm value can be increased through good corporate performance. Company performance is a company performance that shows the ability of managers to manage the company. The company's performance is said to be good if managers in managing the company succeed in optimizing financial decision making, regarding investment decisions, funding decisions, and dividend policies which result in an increase in the company's stock price (Basuki, 2016).

Some descriptions of the performance of textile and garment companies that are the object of this study can be described as follows. Mark export industry clothes Indonesia reached US$7.64 billion during January-November 2021. This figure grew 19.59% compared to the same period the previous year. In detail, the value of exports finished clothes (convection) from textiles grew 15.42% to US$6.12 billion for the January-November 2021 period compared to the same period the previous year. Then, exports of knitted apparel grew 44.06% to US$1.16 billion, and textile apparel grew 20.98% to US$205.24 million. Likewise, the export value of knitted socks and the like grew 12.91% to US$110.75 million during January-November last year. Then, apparel and leather equipment jumped 319.89% to US$39.43 million (Kusnandar, 2022).

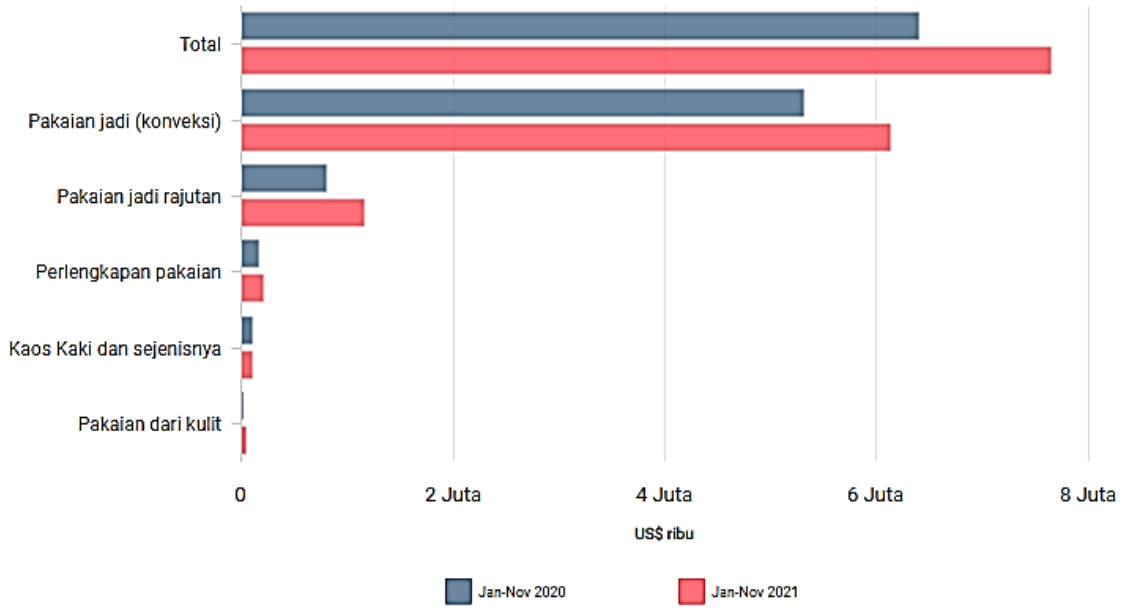


Figure 1. Export Value of Apparel
By Type (Jan-Nov 2020 and Jan-Nov 2021)
Source: Kusnandar (2022)

Besides that, in the second quarter of 2022 the gross domestic product (GDP) of the textile and apparel industry was IDR 35.17 trillion. That number increased 13.74% on an annual basis (year on year/yoy) (Rizaty, 2022).

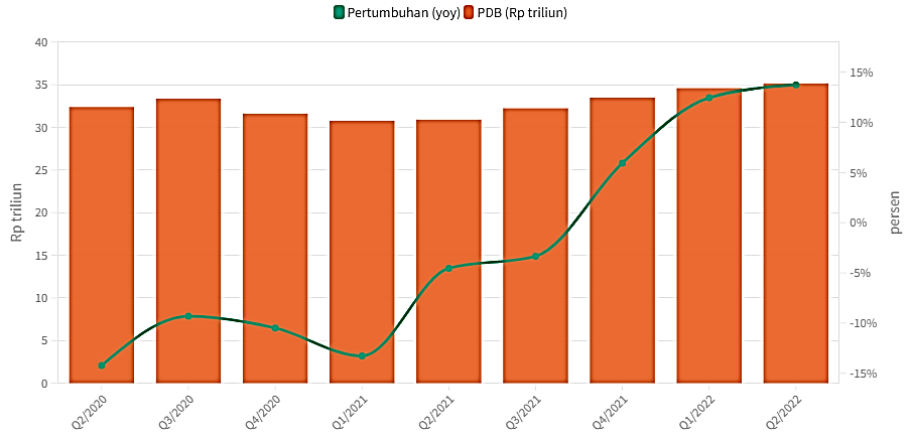


Figure 2. GDP of the Textile and Apparel Industry
(Q2/2020-Q2/2022)
Source: Rizaty (2022)

Gross domestic product (GDP) at constant prices (ADHK) in the textile and apparel industry amounted to IDR 35.17 trillion in the second quarter of 2022. That number increased 13.74% from the same period last year of IDR 30.92 trillion. Seeing the trend, the performance of the textile and apparel industry continues to experience a strengthening trend after being depressed in quarter I/2020 to quarter III/2021. This indicates that the textile and apparel industry has recovered from the impact of the Covid-19 pandemic. Meanwhile, GDP growth in the textile and apparel industry was the second highest of the various sub-sectors of the non-oil and gas manufacturing industry. Meanwhile, the base metal industry jumped the most significantly by 15.79% (year-on-year/ yoy). The third position was occupied by the leather industry, with leather goods and footwear growing by 13.12% (yoy). Then GDP in the machinery and equipment industry grew by 11.22% (yoy). For the record, the textile and apparel industry is one of the important sectors that support the performance of the non-oil and gas processing industry. In the second quarter of 2022, this industry contributed 6.56% to the GDP of the non-oil and gas processing industry (Rizaty, 2022).

Then, the GDP of the textile and apparel industry recorded positive growth but slowed by 8.09% (year on year/yoy) in the third quarter of 2022. This condition was caused by a decrease in utility in various sub-sectors of the textile industry (Sadya, 2022).

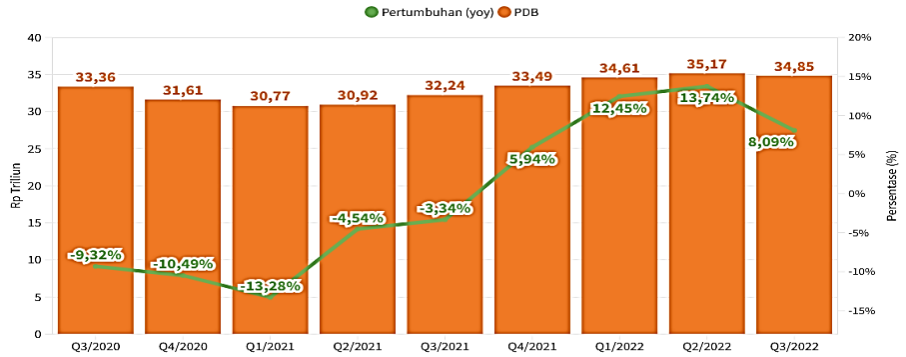


Figure 3. GDP of the Textile and Apparel Industry
(Q3/2020 - Q3/2022)
Source: Sadya (2022)

The gross domestic product (GDP) at constant prices (ADHK) from the textile and apparel industry amounted to IDR 34.85 trillion in the third quarter of 2022. This value grew 8.09% compared to the same period the previous year (yoy) which amounted to IDR 32.24 trillion. Even though it still grew positively, the increase slowed compared to the previous quarter which amounted to 13.74% (yoy). This was partly due to the decline in utilization in each of the textile industry sub-sectors. In detail, the utilization of the fiber industry has decreased by 20%. spinning industry (spinning) recorded a 30% reduction in utilization. Then, the utilization of the weaving industry (weaving) and knitting (knitting) contracted by 50%. Meanwhile, the utilization of the garment and baby clothing industries decreased by 50% and 20-30%, respectively. In addition, there are several companies that have cut their working hours to 3-4 days from the previous 7 days. As a result, there were 92,149 thousand people affected by layoffs from the textile industry. This condition could not be separated from the decline in textile exports, especially to the United States and Europe. This is in line with the decline in market demand due to the economic recession in the two regions. In addition, domestic cross-sectoral promotion and cooperation needs to be increased to foster a program to increase the use of domestic products (P3DN). For the record, the textile industry is one of the sub-sectors of the processing industry. In the third quarter of 2022, the textile industry contributed 5.75% to the GDP of the processing industry (Sadya, 2022).

The description of the performance of textile and garment companies as described above can affect the value of the company. In its application, the high or low value of the company cannot be separated from the existence of certain factors that can influence it. One of the factors that can affect the value of the company isfree cash flow or free cash flow. Free cash flow is the excess cash flow required to finance all projects that have a positive net present value when discounted at the exact required rate of return (Van Horne & Wachowicz, 2012). This means that this free cash flow is idle cash or residual cash after being used for various project needs that have been planned by the company. The use of free cash flow in a company can be used in paying off debt, paying dividends, making investments, and so on.

In other words, excess free cash flow reflects the prospect of better performance which in turn will increase shareholder value, as well as increase firm value in the form of new investments, repossessing shares and paying dividends to shareholders. According to Richardson (2006) the theory of cash flow with the approachinvestment decisions states that the cash flow owned by the company is related to the value of the company. The company's positive cash flow will reflect a good level of company operational performance. Improved good performance will have an impact on increasing the value of a company.

In signal theory, information like this for investors or shareholders is a signal in predicting the company's prospects. The existence of free cash flow in the company is a positive signal that can be conveyed to investors about the company's prospects in the future which illustrates the ability to create cash in the future. The high performance of the company will increase the value of the company which is manifested in the

formreturn through dividends, stock prices, or retained earnings to be invested in the future (Wardani & Siregar, 2009).

Several previous studies such as Suciatiet al. (2021), Basuki (2016), and Sari & Wirajaya (2017) state thatfree cash flow positive and significant effect on firm value. Then other researchers, Selvianah & Hidayat (2022), and Handayani (2017) statedfree cash flow positive but not significant effect on firm value.

Other factors such as growth opportunities (growth opportunity) can also affect the value of the company. Growth opportunity is how the opportunity for a company to grow in the future and sustainable. Companies have various levels of growth rate predictions, if the company has predictionsgrowth opportunity If the value is low, the company prefers to use shares in the process of funding the company's operational activities (Mai, 2006). Conversely, if the company has predictionsgrowth opportunity in the future is relatively high, the company will prefer to use its own capital in the processfundinghis, this is done so that the company can avoid problemsunderinvestment namely the failure of an investment project in a company that is felt positively by the manager of a company (Chen, 2002).

Research conducted by Saraswati (2017), Marpuahet al. (2021), and Uri & Rinofah (2021) found thatgrowth opportunity positive and significant effect on firm value. These results indicate that as a result of increasing the growth rate of a company, the value of a company will also increase. However, it is different from the results of research by Listihayana & Astuti (2020), Kenangaet al. (2014), and Fitriet al. (2022) which shows thatgrowth opportunity does not affect the value of the company.

Factor asidefree cash flow andgrowth opportunity, washing also affect the value of the company. According to Van Horne & Wachowicz (2012)financial leverage is the use of a source of funds that has a fixed burden, with the hope that it will provide additional profits that are greater than the fixed burden, so that shareholder profits increase.Leverage is the use of debt by the company to carry out the company's operational activities.Leverage which is the debt ratio or often also known as the solvency ratio is a ratio that can show the ability of a company to fulfill all financial obligations of the company if the company is liquidated (Sawir, 2004). Leverage can also be one of the tools that are widely used by companies to increase their capital in order to increase profits (Singapurwoko & El-Wahid, 2011).

Increase and decrease in debt levels (leverage) has an influence on market valuation (Nor, 2012). Large excess debt will have a negative impact on firm value (Ogolmagai, 2013). Then according to Hidayah & Widyawati (2016), leverage can be used to see how much risk the company has. The bigger the levelleverage the greater the risk that is owned by the company. When the ratioleverage generate a high value then it will show that the company has a high risk of default and ultimately raises the risk of bankruptcy. Therefore, if investors see that the company has a high level of leverage, it will raise doubts for investors to invest. Based on the opinion above, the researcher places variables leverage as a variable intervening on influencefree cash flow andgrowth opportunity to company value.

2. LITERATURE REVIEW

1. **Free cash flow**

   Free cash flow is free cash flow which is discretionary cash flow owned by the company, this cash flow can be used to pay debts, increase investment, buy treasury shares or increase liquidity (Weygandtet al., 2019).

2. **Growth Opportunity**

   Menu Asmanto & Andayani (2020) growth opportunity is another factor that can affect a company's value, a company that has good growth will demand good quality company management so that it will affect the company's overall performance. Investors will be more interested in large companies than small companies, because large companies tend to be braver to issue new shares which aim to meet the company's operational needs followed by an increase in market share.

3. **Leverage**

   When a company in its capital structure uses debt that has fixed costs in the form of interest expenses, then it is said that the company uses debtleverage. The use of debt will affect the level of risk faced if the company cannot meet interest payments or obligations that are due (Putra, 2013).

4. **The value of the company**

   A company is an organization that combines various resources so that they can be used to produce goods or services for sale and purchase, valid only for transactions between companies (Salvator, 2005).

3. RESEARCH METHODS

In this study the approach used by researchers is quantitative research and uses statistical formulas to help analyze the data and facts obtained. Hartono (2011) explains that a quantitative approach is research whose analysis focuses more on numerical data (numbers) that are processed using statistical methods.

This type of research is explanatory research (explanatory research). According to Sugiyono (2019), explanatory research is a research method that intends to explain the position of the variables studied and the influence of one variable on another.

This study examines the effectfree cash flow andgrowth opportunity to company value withleverage as a variableintervening. This data collection uses secondary data which can be taken from the Textile and Garment Sector companies listed on the IDX in the 2019-2022 period.

The research model used ispath analysis. This model is used to determine the direct and indirect effect of a set of independent variables (exogenous/independent) on the dependent variable (endogenous/dependent) (Sani & Maharani, 2013). Data processingpath analysis using program assistanceIBM SPSS Statistics 25.

The population in this study are all companies in the Textile and Garment sector which are listed on the Indonesia Stock Exchange in 2019-2022, totaling 21 companies.

4. RESULTS AND DISCUSSION

Results

Overview of Research Data

The population in this study are companiesTextiles and Garments listed on the Indonesia Stock Exchange in 2019-2022. The sampling technique using the method purposive sampling namely the sampling technique of all members of the population based on the criteria applied based on the research objectives, with the following criteria:

1. CompanyTextiles and Garmentswhich are listed on the Indonesia Stock Exchange and present financial statements (financial statement) during the 2019-2022 period.
2. CompanyTextiles and Garments still operating and registered in the research time period (2019-2022).

The following is the process of taking samples from all members of the population based on the criteria applied above.

Table 1. Research Sampling Process

No.	Code	Company name	Information
1.	UCID	PT. Uni-Charm Indonesia Tbk	Data exists
2.	INR	PT. Indo-Rama Synthetics Tbk	Data exists
3.	PBRX	PT. Pan Brothers Tbk	Data exists
4.	ZONE	PT. Mega PBVintis Tbk	Data exists
5.	BELL	PT. Trisula Textile Industries Tbk	Data exists
6.	STAR	PT. Buana Artha Anugerah Tbk	Data exists
7.	TRIS	PT. Trisula International Tbk	Data exists
8.	MYTX	PT. Asia Pacific Investama Tbk	Data exists
9.	EXPECT	PT. Together with Zatta Jaya Tbk	Incomplete data
10.	SBAT	PT. Sejahtera Bintang Abadi Textile Tbk	Incomplete data
11.	ERTX	PT. Eratex Djaja Tbk	Data exists
12.	POLU	PT. Golden Flower Tbk	Data exists
13.	ARGO	PT. Argo Pantes Tbk	Data exists
14.	BE	PT. Ever Shine Textile Tbk	Data exists
15.	RICY	PT. Ricky Putra Globalindo Tbk	Data exists
16.	CNTX	PT. Century Textile Industry Tbk	Data exists
17.	POLY	PT. Asia Pacific Fibers Tbk	Data exists
18.	SRIL	PT. Sri Rejeki Isman Tbk	Data exists
19.	UNIT	PT. Nusantara Inti Corpora Tbk	Data exists
20.	HDTX	PT. Panasia Indo Resources Tbk	Data exists
21.	TFCO	PT. Tifico Fiber Indonesia Tbk	Data exists

Source: idx.co.id (Processed, 2023)

Based on table 1 above, the amount of initial data before the criteria were applied, there were 21 companiesTextiles and Garments listed on the IDX, and if multiplied by 4 (4 year period: 2019-2022) the total data is 84. After applying the first and second criteria, there are 19 companies left with a total of 76 data. Meanwhile, ratio dataFree Cash Flow, PER, DER, and PBV for the 2019-2022 period for each sample company can be seen in the attachment to this study.

Data analysis

Descriptive Statistical Analysis

Table 2. Results of Descriptive Statistical Analysis

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
FCF	76	967711	6064083658062	629835934186,41	1314161946903,531
PER	76	13,80	13729,27	829,9566	1744,16725
THE	76	-7,61	10,01	,3167	2,20752
PBV	76	,01	81,17	6,0254	14,25928
Valid N (listwise)	76				

Source: Processed data (2023)

Descriptive statistics are related to the process of collecting, presenting, and summarizing various data characteristics so that they can describe the character of the sample used in this study. Descriptive analysis of the data taken for this research is for three years, namely from 2019 to 2022 with a sample of 76 companiesTextiles and Garmentsthat meet the requirements and are listed on the IDX.

Normality Test Results

According to Ghozali (2018), the normality test was carried out with the aim of finding out whether in a regression model, the independent variables and the dependent variable have a normal or abnormal distribution. If a variable is not normally distributed, the statistical test results will decrease. A good regression model is a regression model that has a normal distribution or is also close to normal, so that later it will be feasible to do statistical testing. Data normality testing can useKolmogorov-Smirnov in the SPSS program, provided that:

a) If the significance value is > 5% (0.05), then the data has a normal distribution.
b) If the significance value is <5% (0.05), then the data does not have a normal distribution.

Following are the results and discussion of the normality test for the regression structure equation 1 and the regression structure equation 2:

Table 3. Results of the Normality Test for the Regression Structure Equation 1

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		76
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	1,87309406
Most Extreme Differences	Absolute	,085
	Positive	,054
	Negative	-,085
Test Statistic		,085
Asymp. Sig. (2-tailed)		,200[c,d]
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

Source: Processed data (2023)

In Table 3, it can be concluded that the valueAsymp. Sig. (2-tailed) of 0.200 > α = 0.05, which means that it is in accordance with the decision making using the testKolmogorov-Smirnov, the data in the regression structure equation 1 has a normal distribution and meets the normality requirements in the regression model.

Table 4. Results of the Normality Test for the Regression Structure Equation 2

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		76
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	1,97799367
Most Extreme Differences	Absolute	,095
	Positive	,095
	Negative	-,081
Test Statistic		,095
Asymp. Sig. (2-tailed)		,088[c]
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

Source: Processed data (2023)

In Table 4, it can also be concluded that the valueAsymp. Sig. (2-tailed) equal to 0.088 > α = 0.05, means that it is in accordance with the decision making using the testKolmogorov-Smirnov, the data in the regression structure equation 2 also has a normal distribution and meets the normality requirements in the regression model.

Regression Analysis

1. Regression Structure Equation 1

Table 5. Results of the Regression Structure Equation 1

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Say.
		B	Std. Error	Beta		
1	(Constant)	2,596	1,549		1,675	,098
	Free_Cash_Flow_X1	-,111	,051	-,243	-2,167	,033
	PER_X2	-,253	,139	-,204	-1,816	,074
a. Dependent Variable: DER_Z						

Source: Processed data (2023)

Based on the results of the regression above, a regression equation model can be obtained as follows:

DER = 2.596 - 0.111X1 - 0.253X2 + ε

The regression equation 1 model can be interpreted as follows:

1) A constant of 2.596 states that if the Free_Cash_Flow_X1 variable and the PER_X2 variable are considered constant, then the DER_Z variable is 2.596.
2) The Free_Cash_Flow_X1 regression coefficient is -0.111, stating that every 1% addition of Free_Cash_Flow_X1 will reduce the DER_Z variable by -0.111 assuming the PER_X2 variable is constant.

3) The PER_X2 regression coefficient is -0.253, stating that every 1% addition of PER_X2 will decrease DER_Z by -0.253 assuming the Free_Cash_Flow_X1 variable is of constant magnitude.

2. Regression Equation Model 2

Table 6. Results of the Regression Structure Equation 2

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Say.
		B	Std. Error	Beta		
1	(Constant)	-5,269	1,679		-3,139	,002
	Free_Cash_Flow_X1	,046	,056	,088	,816	,417
	PER_X2	,672	,151	,476	4,442	,000
	THE_Z	,039	,124	,034	,314	,754
a. Dependent Variable: PBV_Y						

Source: Processed data (2023)

Based on the results of the regression above, a regression equation model can be obtained as follows:

PBV = -5.269 + 0.046X1 + 0.672X2 + 0.039Z + ε

The regression equation 2 model can be interpreted as follows:

1) A constant of -5.269 states that if the Free_Cash_Flow_X1 variable, the PER_X2 variable and the DER_Z variable are considered constant, then the PBV_Y variable is -5.269.
2) The Free_Cash_Flow_X1 regression coefficient is 0.046, stating that every 1% addition of Free_Cash_Flow_X1 will reduce the PBV_Y variable by 0.046 assuming the PER_X2 and DER_Z variables are constant.
3) The PER_X2 regression coefficient is 0.672, stating that every 1% addition of PER_X2 will reduce the PBV_Y variable by 0.672 assuming the Free_Cash_Flow_X1 and DER_Z variables are constant.
4) The DER_Z regression coefficient is 0.039, stating that every 1% addition of DER_Z will increase PBV_Y by 0.039 assuming the Free_Cash_Flow_X1 and PER_X2 variables are constant.

Path Analysis

1. The coefficient of determination (*R-squared*) Regression Equation 1

Table 7. Results of the Analysis of the Coefficient of Determination of the Regression Structure Equation 1

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,300[a]	,090	,065	1,89858	1,889
a. Predictors: (Constant), PER_X2, Free_Cash_Flow_X1					
b. Dependent Variable: DER_Z					

Source: Processed data (2023)

Based on Table 7. it is known that the value*R-square* of 0.090 or 9% explains that the ability of the Free_Cash_Flow_X1 and PER_X2 variables to DER_Z, while the remaining 91% is explained by other variables not examined in this study.

2. Coefficient of Determination (*R-squared*) Regression Equation 2

Table 8. Results of the Analysis of the Coefficient of Determination of the Regression Structure Equation 2

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,468[a]	,219	,187	2,01878	1,825
a. Predictors: (Constant), DER_Z, PER_X2, Free_Cash_Flow_X1					
b. Dependent Variable: PBV_Y					

Source: Processed data (2023)

Based on Table 11. it is known that the value*R-square* of 0.219 or 21.9% explains that the ability of the Free_Cash_Flow_X1 variable, PER_X2 and DER_Z variables on PBV_Y, while the remaining 78.1% is explained by other variables not examined in this study.

Table 9. Summary of Hypothesis Testing

hypothesis	Track (*Path*)	*Prob.* (*P-Values*)	Conclusion Hypothesis
H1	*Free Cash Flow* → company value (PBV)	0,417	Rejected
H2	*Free Cash Flow* → *Leverage* (THE)	0,033	Accepted
H3	*Growth opportunity* (PER) → company value (PBV)	0,000	Accepted
H4	*Growth opportunity* (PER) → *leverage* (THE)	0,074	Rejected
H5	*Leverage* (THE)→ company value (PBV)	0,754	Rejected
H6	*Free Cash Flow* → *Leverage* (THE)→ company value (PBV)	0,756	Rejected
H7	*Growth opportunity* (PER) → *Leverage* (THE)→ company value (PBV)	0,757	Rejected

Source: Processed data (2023)

Based on the data presented in Table 14 above, it can be seen that hypothesis 2 and hypothesis 3 can be accepted because each effect shows a valueprob. (p-values) < 0.05. While hypotheses 1, 4, 5, 6 and 7 cannot be accepted (rejected) because each effect shows aprob. (p-values) > 0,05.

Discussion

Relationship between Research Variables Influence Free Cash Flow to Firm Value (PBV)

From the results of hypothesis testing it is known thatFree Cash Flow unable to influence company value (PBV) in the Textile and Garment company sector listed on the IDX for the 2019-2022 period. These results are not in accordance with the results of previous research from Suciatiet al. (2021), Basuki (2016), and Sari & Wirajaya (2017), which concludefree cash flow has a significant and positive effect on firm value.

It is possible that it is insignificantfree cash flow within the company is one of the causes of agency problems (agency problem). Agency problems are very prone to occur in companies that separate the ownership function (owner) and management functions (control) (Jensen & Meckling, 1976). Managers have a goal to maximize the welfare of shareholders. However, in reality this goal is often not achieved because the manager is also a party trying to maximize his welfare. If managers and shareholders both have an

interest in maximizing their welfare, then it is difficult to believe that managers will always do the best for the interests of shareholders (Jensen & Meckling, 1976). The interests of managers that are not in line with those of shareholders will trigger a conflict of interest between the two parties which is referred to as an agency problem (Keownet al., 2011).

Influence Free Cash Flow to Leverage (THE)

From the results of hypothesis testing it is known thatFree Cash Flow able to influence Leverage (DER) in the Textile and Garment company sector listed on the IDX for the 2019-2022 period. These results are in accordance with the results of research by Zuhria & Riharjo (2016), Nurafika (2020), Sari & Wirajaya (2017), and Handayani (2017), which concluded Free cash flow has a negative relationship with debt policy.

Debt policy is a solution to agency problems that occur because there arefree cash flow generated by the company. Free cash flow (free cash flow) represents the company's cash that will be distributed to creditors or shareholders and the company's after-tax cash generated from operating activities that have been deducted by operational costs in capital expenditures or investments in the accounting period (Panjaitanet al.,2019).

According to Astuti (2014) the source of funds from creditors is debt for the company. Debt is like two sides of a coin for a company, which has both positive and negative impacts. At a certain level, debt is able to create a monitoring system for the company and can be used for tax savings so as to increase the value of the company. At first the company's goal was only oriented to profit as much as possible. This goal results in companies having to sacrifice long-term profits to obtain high profits in the short term. Profits in the short and long term have an important role in the life of the company (Handayani, 2017).

Influence Growth Opportunity (PER) to Firm Value (PBV)

From the results of hypothesis testing it is known thatGrowth opportunity (PER) is able to influence company value (PBV) in the Textile and Garment company sector listed on the IDX for the 2019-2022 period. These results are in accordance with the results of research by Saraswati (2017), Marpuahet al. (2021), and Uri & Rinofah (2021) who concludedGrowth opportunity has a significant influence on firm value.

The value of the company can be seen from its share price which reflects the value of future earnings, and is a market indicator for assessing the company as a whole. A high stock price indicates that a company can provide welfare for its shareholders and will be a positive signal for investors to invest (Manoppo & Arie 2016). High stock prices make the company value increase. The main goal of the company according to the theory of the firm is to maximize the wealth or value of the company (value of the firm) (Salvatore, 2005). Firm value can be measured byprice to book value (PBV), namely the ratio between the share price and the book value per share. Price to Book Value (PBV) also shows how far the company is able to create corporate value (Brigham & Gapenski, 2006)

Growth Opportunity is the growth opportunity of a company in the future (Mai, 2006). Good company growth is a sign that the company has profitable prospects in the

future, and investors hoperate of return the investment they invest will be high, this will increase the value of the company. Price Earning Ratio (PER).

InfluenceGrowth opportunity (PER) againstleverage (THE)

From the results of hypothesis testing it is known thatGrowth opportunity (PER) is not able to influenceleverage (DER) in the Textile and Garment company sector listed on the IDX for the 2019-2022 period. These results are not in accordance with the results of research by Sari & Januarti (2011), Uri & Rinofah (2021), and Fitriet al. (2022) who showedGrowth opportunity negative and significant effect on capital structure (leverage).

The insignificant is possible the occurrence of conflict betweenshareholders andbondholders. From the sideshareholders, profits must be shared as dividends, while from the sidebondholders, profits must be used to pay off debts. In some casesbondholders gain sufficient profits whileshareholders do not earn normal profits from a project with a positive NPV. This shows that the use of debt in companies with high investment opportunities is expensive (Fatmasari, 2010). As a result, companies with high investment opportunities use internal funds to continue projects with positive NPV. Furthermore, Jensen (in Fatmasari, 2010) explains that companies with low investment opportunities, namely companies in themature and has a potentially low growth rateoverinvestment problem. Reasonoverinvestment problem is the presence of excess capital in the company. Excess capital will trigger conflict between managers andshareholders. The manager believes that the excess capital should be used to invest in other projects because the excess capital is less profitable when reinvested in the company. Whereasshareholders argues that managers tend to invest excess capital in less profitable projectsshareholders want excess capital to be distributed as dividends.

InfluenceLeverage (DER) to firm value (PBV)

From the results of hypothesis testing it is known thatLeverage (DER) is not able to affect company value (PBV) in the Textile and Garment company sector which is listed on the IDX for the 2019-2022 period. These results are not in accordance with the results of Suciati's researchet al. (2021), Alfianaet al. (2023), Memorieset al. (2014), Sari & Wirajaya (2017), and Uri & Rinofah (2021) which showdebt policy (leverage) positive and significant effect on firm value.

Fulfillment of funding sources through debt (loans) will affect the company's leverage level, because leverage is the ratio used to measure how far a company uses debt. According to Van Horne (1997) financial leverage is the use of a source of funds that has a fixed burden, with the hope that it will provide additional profits that are greater than the fixed burden, so that shareholder profits increase.Leverage is the use of debt by the company to carry out the company's operational activities.Leverage which is the debt ratio or often also known as the solvency ratio is a ratio that can show the ability of a company to fulfill all the financial obligations of the company if the company is liquidated (Agnes, 2004).Leverage can also be a tool that is widely used by companies to increase

their capital in order to increase profits (Singapurwoko, 2011). Increases and decreases in debt levels have an influence on market valuation (Nor, 2012). Large excess debt will have a negative impact on firm value (Ogolmagai, 2013).

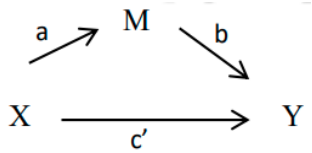
Riyanto (2008), states that the use of debt that is too large to exceed assets will have an impact on reducing the company's ability to generate profits, but if debt can be managed properly and used for productive investment projects, this can have a positive influence which has an impact on increasing profitability. However, if the company makes high-interest loans, then the company's interest expense is also high and the company can be said to be less efficient in its operations (Van Horne & Machowicz, 2009).

Leverage (THE) Mediating InfluenceFree cash flow to company value (PBV)

From the results of hypothesis testing it is known thatLeverage (DER) is not able to mediate the relationship betweenfree cash flow to company value (PBV) in the Textile and Garment company sector listed on the IDX for the 2019-2022 period.

The insignificant is caused by one of the paths of the pathFree cash flow THE PBV is not significant. In this research, pathFree cash flow DER is significant, while track DER PBV is not significant. So the hypothesis that mentions the path, namelyLeverage (DER) is able to mediate the relationship betweenfree cash flow to firm value (PBV), becomes insignificant, and the hypothesis is rejected.

Baron & Kenny (1986) exemplifies a variable relationship with mediators as follows:



If path a and path b are significant, then when referring to Baron & Kenny's (1986) guidelines, it can be concluded that there is PBV and mediation. However, if one or both pathways a and pathway b are not significant, it is certain that there is no PBVan mediation. In this study the path a (Free cash flow DER) significant and pathway b (DER PBV) is not significant, which means that one of the paths is not significant. So concludedLeverage (DER) is not able to mediate the relationship betweenfree cash flow to company value (PBV) in the Textile and Garment company sector listed on the IDX for the 2019-2022 period.

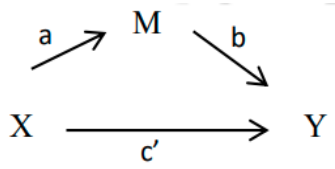
Leverage (THE) Mediating InfluenceGrowth Opportunity (PER) to company value (PBV)

From the results of hypothesis testing it is known thatLeverage (DER) is not able to mediate the relationship betweenGrowth Opportunity (PER) to company value (PBV) in the Textile and Garment company sector listed on the IDX for the 2019-2022 period.

The insignificant is caused by one of the pathways of the PER pathway THE PBV is not significant. In this study, the PER pathway DER is not significant, so is the DER path PBV is not significant. So the hypothesis that mentions the path, namelyLeverage

(DER) is not able to mediate the relationship betweenGrowth Opportunity (PER) to firm value (PBV), becomes insignificant, and the hypothesis is rejected.

Baron & Kenny (1986) exemplifies a variable relationship with mediators as follows:



If path a and path b are significant, then when referring to Baron & Kenny's (1986) guidelines, it can be concluded that there is PBV and mediation. However, if one or both pathways a and pathway b are not significant, it is certain that there is no PBVan mediation. In this study, pathway a (PER DER) is not significant and path b (DER PBV) is also significant, which means that all paths are insignificant. So concludedLeverage (DER) is not able to mediate the relationship betweenGrowth Opportunity (PER) to firm value (PBV).

5. CONCLUSION

Conclusion

Referring to the results of this study, further conclusions can be drawn as follows:

1. Free Cash Flow unable to influence company value (PBV) in the Textile and Garment company sector listed on the IDX for the 2019-2022 period.
2. Free Cash Flow able to influenceLeverage (DER) in the Textile and Garment company sector listed on the IDX for the 2019-2022 period.
3. Growth opportunity (PER) is able to influence company value (PBV) in the Textile and Garment company sector listed on the IDX for the 2019-2022 period.
4. Growth opportunity (PER) is not able to influenceleverage (DER) in the Textile and Garment company sector listed on the IDX for the 2019-2022 period.
5. Leverage (DER) is not able to affect company value (PBV) in the Textile and Garment company sector which is listed on the IDX for the 2019-2022 period.
6. Leverage (DER) is not able to mediate the relationship betweenfree cash flow to company value (PBV) in the Textile and Garment company sector listed on the IDX for the 2019-2022 period.
7. Leverage (DER) is not able to mediate the relationship betweenGrowth Opportunity (PER) to company value (PBV) in the Textile and Garment company sector listed on the IDX for the 2019-2022 period.

Suggestion

Based on the research results, conclusions, and especially referring to the benefits of this research, the researcher can put forward some suggestions as follows:

1. This study only analyzes the influencing factorsprice to book value, likefree cash flow, price eraning ratio anddebt to equity ratio. For this reason, further researchers can add or replace other factors that also affect theprice to book value, for examplereturn on asset, return on equity, inventory turnover, and others.

2. This research is only conducted on companies that are included in the sectorTextiles and Garments, with a short period, namely 2019-2022, so the results cannot be generalized. For this reason, the next researcher will conduct research on other sectors with a longer period, so that it can be used as a comparison.
3. This study uses fundamental analysis which is used to find out about the basics of economics, balance sheets, income statements, and so on. For this reason, future researchers should carry out technical analysis in order to get an overview of the movements of the variables studied and also to predict future changes.

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