

## **CORPORATE GROWTH POTENTIAL IN VALUE OF BANKING COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE 2015-2021**

**Irwan Adam Labo**

*Program Studi Manajemen, Fakultas Ekonomi dan Bisnis, Universitas Yapis Papua*  
[Ironex9@gmail.com](mailto:Ironex9@gmail.com)

### **ABSTRACT**

This study investigates the impact of a Company's Growth Potential on Firm Value, with a specific focus on empirical testing and analyzing the relationship between the variables. The research was carried out at the Indonesia Stock Exchange, concentrating on banking companies as the primary objects of observation. The observation period spanned from 2015 to 2021. In this study, the population consisted of 46 companies, and a sample of 10 companies was selected for detailed examination. The researchers aimed to measure the influence of the Company's Growth Potential, serving as a proxy for the Investment Opportunity Set (IOS), on the firm value of these selected entities. The results of the analysis revealed a significant and positive impact of the Company's Growth Potential on the firm value of the observed banking companies. This finding suggests that higher growth potential positively correlates with increased firm value, indicating that companies with promising investment opportunities tend to have higher market valuations. These findings contribute to the existing literature on corporate finance and provide valuable insights for investors, financial analysts, and decision-makers in the banking sector. The study underscores the importance of considering growth potential as a key indicator when evaluating the firm's value and investment opportunities within the dynamic landscape of the Indonesia Stock Exchange. Further research could expand on these findings and explore other factors influencing firm value in different industries or regions.

**Keywords:** *IOS, value company, growth company*

This article is licensed under [CC BY-SA 4.0](https://creativecommons.org/licenses/by-sa/4.0/) 

### **INTRODUCTION**

Banking companies are quite scary to study because currently community activities cannot be separated from banking services. In addition, banking is one of the institutions that play an important role in the economic activities of a country, so advanced banking can be a benchmark for advancing a country. Banking is also a company that has a sizeable contribution to state revenue because it functions as an intermediary or as an intermediary between the owner's capital and the use of funds.

In the banking industry in Indonesia, investor capital control activities are an important factor, while for company investor value (firm value) it is very important because it can be an indicator for the market to assess the company as a whole. The firm value will increase if performance finance can experience continuous improvement (Wiagustini, 2010).

The value of a banking company is measured by the value of the shares themselves, banking industry shares are the most resilient to economic crises compared to other sectors because the central bank has a role to regulate monetary policy, minimize any risks that may occur, and maintain economic stability as well as in terms of supervision for the welfare of society (Sriwahyuni & Wihandaru, 2016). Firm value is very important because it can affect investors' perceptions of the company. Firm value does not only reflect how intrinsic value is at present but also reflects the prospects and expectations of the company's ability to increase its wealth value in the future.

According to Murniati et al. (2019) the higher the stock price, the brighter the prospects for the company, the higher the stock price, the higher the company value. If the bank is unable to maintain the value of the company, this will lead to a reduced level of trust from customers and parties who invest or deposit funds with the bank, which will have an impact on the low funds that will be obtained by the bank, thus the main goal of the company according to the theory of the firm is to maximize the wealth or value of the firm (Salvatore, 2013).

The company's growth potential is the expectation of the growth of a company that is expected by the company's management and external parties, namely investors. Growth is expected to provide positive aspects for the company to increase investment opportunities in the company (Weston & Brigham, 1985).

A company's growth opportunities are seen in investment opportunities proxied by various investment opportunity set values (IOS: Investment Opportunity Set). Investment opportunities as expressed by Hartono (2000) investment opportunities or Investment Opportunity Set (IOS) describe the breadth of investment opportunities or opportunities for a company that shows the company's ability to benefit from growth prospects.

According to Myers (1977), Investment Opportunity Set (IOS) is an investment decision in the form of a combination of assets owned (assets in place) and future investment choices with a positive Net Present Value (NPV) which will affect the value of the company.

The Investment Opportunity Set (IOS) value can be calculated by a combination of various types of proxies which imply the value of assets in place, namely in the form of the book value of assets and equity and the value of the opportunity to grow for a company in the future. This is because the Investment Opportunity Set (IOS) or investment opportunity set of a company affects the perspective of managers, owners, investors, and creditors of the company (Hidayah, 2017).

## **METHODS**

### **Approach Study**

The type of research used in this research is explanatory research. According to Sugiono, (2005), explanatory research is a research method that intends to explain the position of the variables studied and the influence between one variable and another, using secondary data. The main reason this researcher uses the explanatory research method is to test the hypotheses proposed, it is hoped that this research can explain the relationships and influences between the variables analyzed, and draw conclusions that are useful for the development of science and serve as a method of solving actual problems that occur in the field.

### **Time and Location of Research**

This research was conducted at a banking company registered with PT. Indonesia stock exchange. With an observation period from 2015 to 2021. The reason for choosing PT. Indonesia Stock Exchange as a research location because the data is available and can also be accessed freely through <https://emiten.kontan.co.id>, <https://www.idx.co.id> <https://id.investing.com>.

### **Data Types and Sources**

The type of data used is documentary data in the form of banking company financial reports contained in the annual report (annual report), as well as the data source used in this research is secondary data. Secondary data obtained from financial statements and annual reports of banking companies listed on the Indonesia Stock Exchange (IDX), for the period 2015 to 2021.

### **Data Collection Techniques**

The data collection technique used in this study is an observation or observation technique, in which researchers make observations on secondary data taken from the annual financial reports of banking companies listed on the Indonesia Stock Exchange (IDX) for the period 2015 – 2021. With this technique, the authors collect data financial statements of banking companies from 2015 to 2021 regarding the variables to be examined, namely the potential for company growth, and company value.

### **Population and Sample**

The population is a combination of all elements in the form of events, things, or people who have similar characteristics which are the research center of a researcher because they are seen as a research universe (Indrarini, 2019). The population in this study are all banking companies listed on the Indonesia Stock Exchange (IDX). From the period 2015 to 2021, there are 46 (forty-six) banking companies, shown in Table 1

**Table 1. List of Banking Companies on the Indonesia Stock Exchange (IDX) period 2015 to 2021**

<b>NO.</b>	<b>CODE</b>	<b>BANK NAME</b>	<b>REGISTERED DATE</b>
1.	AGRO	PT. Bank Rakyat Indonesia	08 August 2003
2.	AGRS	PT. Agris Bank Tbk	December 22, 2014
3.	AMAR	PT. Bank Amar Indonesia	09 January 2020
4.	ARTO	PT. Bank Artos Indonesia Tbk	January 12, 2016
5.	BABP	PT. Bank MNC International Tbk	July 15, 2002
6.	READ	PT. Bank Capital Indonesia Tbk	04 October 2007
7.	BBCA	PT. Bank Central Asia Tbk	03 May 2000
8.	BBHI	PT. Harda Bank International Tbk	12 August 2015
9.	BBKP	PT. Bank Bukopin Tbk	July 10, 2006
10.	BBMD	PT. Bank Mestika Dharma Tbk	08 July 2013
11.	BBNI	PT. Bank Negara Indonesia (Persero) Tbk	25-Nov-96
12.	BBNP	PT. Archipelago Parahyangan Bank	January 10, 2001
13.	BBRI	PT. Bank Rakyat Indonesia (Persero) Tbk	10-Nov-03
14.	BBTN	PT. State Savings Bank (Persero) Tbk	December 17, 2009
15.	BBYB	PT. Bank Yudha Bhakti Tbk	January 13, 2015
16.	BCIC	PT. Bank Jtrust Indonesia Tbk	June 25, 1997
17.	BDMN	PT. Bank Danamon Indonesia Tbk	06 December 1989

<b>NO.</b>	<b>CODE</b>	<b>BANK NAME</b>	<b>REGISTERED DATE</b>
18.	BEKS	PT. Banten Regional Development Bank Tbk	July 13, 2001
19.	BGTG	PT. Bank Ganesha Tbk	May 12, 2016
20.	DEVELOP	PT. Bank Ina Perdana Tbk	January 16, 2014
21.	BJBR	PT. West Java Regional Development Bank Tbk	July 8, 2010
22.	BJTM	PT. East Java Regional Development Bank Tbk	July 12, 2012
23.	BKSW	PT. Bank QNB Indonesia Tbk	21-Nov-02
24.	BMAS	PT. Bank Maspion Indonesia Tbk	July 11, 2013
25.	BMRI	PT. Bank Mandiri (Persero) Tbk	July 14, 2003
26.	BNBA	PT. Bank Bumi Artha Tbk	December 31, 2009
27.	BNGA	PT. CIMB Niaga Bank Tbk	29-Nov-89
28.	bnii	PT. Bank Maybank Indonesia Tbk	21-Nov-89
29.	BNLI	PT. Bank Permata Tbk	January 15, 1990
30.	BRIS	PT. Bank BRISyariah Tbk	09 May 2018
31.	BSIM	PT. Sinarmas Bank Tbk	December 13, 2010
32.	BSWD	PT. Bank of India Indonesia Tbk	01 May 2002
33.	BTPN	PT. Bank BTPN Tbk	March 12, 2008
34.	BTPS	PT. Sharia National Pension Savings Bank Tbk	08 May 2018
35.	BVIC	PT. Bank of Victoria International Tbk	June 30, 1999
36.	DNAR	PT. Bank Dinar Indonesia Tbk	July 11, 2014
37.	INPC	PT. Bank Artha Graha International Tbk	August 29, 1990
38.	MAYA	PT. Mayapada Bank International Tbk	August 29, 1997
39.	MCOR	PT. Bank China Construction Bank Indonesia Tbk	July 3, 2007
40.	MEGA	PT. Bank Mega Tbk	17-Apr-00
41.	DRAGON	PT. Mitraniaga Bank Tbk	09 July 2013
42.	NISP	PT. Bank OCBC NISP Tbk	October 20, 1994
43.	NOBU	PT. Bank National Nobu Tbk	May 20, 2013
44.	PNBN	PT. Bank Pan Indonesia Tbk	December 29, 1982
45.	PNBS	PT. Bank Panin Dubai Syariah Tbk	January 15, 2014
46.	SDRA	PT. Bank Woori Saudara Indonesia Tbk	December 15, 2006

The reasons for using a time span of 7 (seven) years are: This study uses data across sub-sectors of the banking industry in one sector of the banking industry for 7 (seven) years in a time series. With a long span of 7 (seven) years so that more observations are made.

As for the population criteria in sampling in this study are as follows:

**Table 2. Population criteria in sampling**

No.	Description	Amount
1.	Banking companies listed on the Indonesia Stock Exchange during the observation period from 2015 to 2021	46
2.	Banking companies on the Indonesia Stock Exchange that publish financial data or complete financial reports consecutively from 2015 to 2021	40
3.	These banking companies were delisted on the IDX during the study period	2
4.	Banking Companies that have distributed dividends in a row during the observation period from 2015 to 2021	10

Based on the criteria above, the decision to become a research sample is 10 banking companies listed on the Indonesia Stock Exchange during the period 2015 to 2021. The companies that make up the population in this study are shown in Table 3 as follows:

**Table 3. List of Banking Companies on the Indonesia Stock Exchange (IDX). population**

No.	Code	Bank Name	Date Registered
1.	BBCA	PT. Bank Central Asia Tbk	03 May 2000
2.	BBNI	PT. Bank Negara Indonesia (Persero) Tbk	25-Nov-96
3.	BBRI	PT. Bank Rakyat Indonesia (Persero) Tbk	10-Nov-03
4.	BDMN	PT. Bank Danamon Indonesia Tbk	06 December 1989
5.	BJBR	PT. West Java Regional Development Bank Tbk	July 8, 2010
6.	BJTM	PT. East Java Regional Development Bank Tbk	July 12, 2012
7.	BMRI	PT. Bank Mandiri (Persero) Tbk	July 14, 2003
8.	BNBA	PT. Bank Bumi Artha Tbk	December 31, 2009
9.	MEGA	PT. Bank Mega Tbk	April 17, 2000
10.	SDRA	PT. Bank Woori Saudara Indonesia Tbk	December 15, 2006

### **Data Analysis Techniques**

The data analysis technique in this study uses Partial Least Square (PLS). PLS is an equation model of Structural Equation Modeling (SEM) with an approach based on variance or component-based structural equation modeling. According to Sholihin & Ratmono (2021), SEM-PLS is used when:

1. An analysis of a test-oriented theoretical framework is needed for predictions.
2. A complex structural model that has many constructs and indicators.
3. Research has the aim of developing existing theories (exploratory research).
4. The structural model has indicators with formative forms
5. Research has a weak theoretical basis
6. Research has a sample size that tends to be small
7. The data is not normally distributed
8. Research requires variable scores for further analysis

9. Research consists of financial ratios or other kinds of data artifacts.

According to (Sholihin & Ratmono, 2021), SEM-PLS has excess namely:

1. Can generate solutions even for complex models.
2. Does not require the variables to meet the criteria for parametric analysis such as multivariate normality and large sample sizes.
3. Be able to produce parametric estimates for models with formative latent variables and moderating effects.

SEM-PLS analysis using the WarpPLS Program. 7.0. The WarpPLS program can identify nonlinear relationships between latent variables and correct path coefficient values based on the relationships. Therefore the program is called Warp which means arch. This study has a structural model with indicators with formative forms and a limited number of samples and uses mediating/intervening variables so that the data analysis uses WarpPLS software. Which can provide the output value of the indirect effect (indirect effect) and the total effect along with the p-value standard error, and effect size. (Hair et.al, 2011).

## RESULTS AND DISCUSSION

### Identity Respondents

Based on the sample criteria, of the 46 banking companies on the Indonesia Stock Exchange that publish financial data or complete financial reports in a row from 2015 to 2021, 40 banking companies publish financial reports during the observation period, which can be seen in Table 4 below. This:

**Table 4. Sample Criteria: List of Banking Companies Publishing Quarter 4 Interim Financial Statements Ending December 31, 2015-2021**

No.	Bank name	2015	2016	2017	2018	2019	2020	2021	Information
1.	PT. Bank Rakyat Indonesia (agro)	v	v	v	v	v	v	v	Complete
2.	PT. Agris Bank Tbk	v	v	v	v	v	v	v	Complete
3.	PT. Bank Amar Indonesia	-	-	-	-	-	v	v	No Complete
4.	PT. Bank Artos Indonesia Tbk	-	v	-	v	v	v	v	No Complete
5.	PT. Bank MNC International Tbk	v	v	v	v	v	v	v	Complete
6.	PT. Bank Capital Indonesia Tbk	v	v	v	v	v	v	v	Complete
7.	PT. Bank Central Asia Tbk	v	v	v	v	v	v	v	Complete
8.	PT. Harda Bank International Tbk	v	v	v	v	v	v	v	Complete
9.	PT. Bank Bukopin Tbk	v	v	v	v	v	v	v	Complete
10.	PT. Bank Mestika Dharma Tbk	v	v	v	v	v	v	v	Complete

*Corporate Growth Potential in Value of Banking Companies Listed on The Indonesia Stock Exchange 2015-2021*

No.	Bank name	2015	2016	2017	2018	2019	2020	2021	Information
11.	PT. Bank Negara Indonesia (Persero) Tbk	v	v	v	v	v	v	v	Complete
12.	PT. Archipelago Parahyangan Bank	-	-	-	-	-	-	-	No Complete
13.	PT. Bank Rakyat Indonesia (Persero) Tbk	v	v	v	v	v	v	v	Complete
14.	PT. State Savings Bank (Persero) Tbk	v	v	v	v	v	v	v	Complete
15.	PT. Bank Yudha Bhakti Tbk	v	v	v	v	v	v	v	Complete
16.	PT. Bank Jtrust Indonesia Tbk	v	v	v	v	v	v	v	Complete
17.	PT. Bank Danamon Indonesia Tbk	v	v	v	v	v	v	v	Complete
18.	PT. Banten Regional Development Bank Tbk	v	v	v	v	v	v	v	Complete
19.	PT. Bank Ganesha Tbk	v	v	v	v	v	v	v	Complete
20.	PT. Bank Ina Perdana Tbk	v	v	v	v	v	v	v	Complete
21.	PT. West Java Regional Development Bank Tbk	v	v	v	v	v	v	v	Complete
22.	PT. East Java Regional Development Bank Tbk	v	v	v	v	v	v	v	Complete
23.	PT. Bank QNB Indonesia Tbk	v	v	v	v	v	v	v	Complete
24.	PT. Bank Maspion Indonesia Tbk	v	v	v	v	v	v	v	Complete
25.	PT. Bank Mandiri (Persero) Tbk	v	v	v	v	v	v	v	Complete
26.	PT. Bank Bumi Artha Tbk	v	v	v	v	v	v	v	Complete
27.	PT. CIMB Niaga Bank Tbk	v	v	v	v	v	v	v	Complete
28.	PT. Bank Maybank Indonesia Tbk	v	v	v	v	v	v	v	Complete
29.	PT. Bank Permata Tbk	v	v	v	v	v	v	v	Complete
30.	PT. Bank BRISyariah Tbk	-	-	-	v	v	v	v	No Complete
31.	PT. Sinarmas Bank Tbk	v	v	v	v	v	v	v	Complete
32.	PT. Bank of India Indonesia Tbk	v	v	v	v	v	v	v	Complete
33.	PT. Bank BTPN Tbk	v	v	v	v	v	v	v	Complete
34.	PT. Savings bank National Sharia Pensioner Tbk	-	-	-	v	v	v	v	No Complete

No.	Bank name	2015	2016	2017	2018	2019	2020	2021	Information
35.	PT. Bank of Victoria International Tbk	v	v	v	v	v	v	v	Complete
36.	PT. Bank Dinar Indonesia Tbk	v	v	v	v	v	v	v	Complete
37.	PT. Bank Artha Graha International Tbk	v	v	v	v	v	v	v	Complete
38.	PT. Mayapada Bank International Tbk	v	v	v	v	v	v	v	Complete
39.	PT. Bank China Construction Bank Indonesia Tbk	v	v	v	v	v	v	v	Complete
40.	PT. Bank Mega Tbk	v	v	v	v	v	v	v	Complete
41.	PT. Mitraniaga Bank Tbk	-	-	-	-	-	-	-	No Complete
42.	PT. Bank OCBC NISP Tbk	v	v	v	v	v	v	v	Complete
43.	PT. Bank National Nobu Tbk	v	v	v	v	v	v	v	Complete
44.	PT. Bank Pan Indonesia Tbk	v	v	v	v	v	v	v	Complete
45.	PT. Bank Panin Dubai Syariah Tbk	v	v	v	v	v	v	v	Complete
46.	PT. Bank Woori Saudara Indonesia Tbk	v	v	v	v	v	v	v	Complete

Data Source: <https://emiten.kontan.co.id.>, <https://idx.co.id>, <https://id.investing.com>.

*Processed in 2023*

### **Evaluation of Measurement Model Results (*Outer Model*)**

#### ***Weight indicator***

The step to do the outer model is Indicator Weight. According to (Benitez et al., 2020), the assessment of formative latent variables using weights must be significant, in other words, if the P value is less than 0.05, if these requirements are met, then the formative construct measurement is considered feasible.

However, if you look at the contribution of the indicators that are tangible in the loading, if the loading is above 0.50, the formative indicators are maintained. (Hair et al., 2013) The output results weight indicator is shown in the following table:

**Table 5. Weight Indicator Test Results**

<b>Variable</b>	<b>Indicator</b>	<b>Loading Factor</b>	<b>Type</b>	<b>SE</b>	<b>P Value</b>
Company	MV/BVA	0.973	Formative	0.131	<0.001
Growth Potential	M V/ B V E	0.973	Formative	0.096	<0.001
The value of the company	PBV	0.984	Formative	0.097	<0.001
	Tobin's Q	0.984	Formative	0.125	<0.001

Source: Data processed with Warp Pls 7.0 in 2023

Based on Table 5, the results of testing the weight indicator concluded that weight was significant, as seen in the results with an average P value <0.001, and the required value was less than 0.05, (Benitez et al., 2020) and also the contribution of indicators that are tangible in outer loading its, namely the outer loading score above 0.50. According to Hair et al. (2013), if the outer loading is above 0.50. then the formative indicators are maintained. From these results, it is stated that it has fulfilled the formative measurement requirements and is said to be feasible for further analytical testing.

#### ***Average Variance Extracted (AVE)***

Convergent validity can not only be seen through factor loading but can also be known through the Average Variance Extracted (AVE). The instrument can be said to meet the convergent validity testing criteria if the Average Variance Extracted (AVE) value is above 0.5. (Hair et al., 2013) The results of the convergent validity test are presented as follows:

**Table 6. Average Variance Extracted (AVE)**

<b>Variable</b>	<b>Average Variance Extracted (AVE)</b>
Company Growth Potential	17,366
The value of the company	17,648

Source: Data processed with Warp Pls 7.0 in 2023

Based on Table 6 it can be concluded that the variables of Company Growth Potential, Capital Structure, company value show an Average Variance Extracted (AVE) value above 0.5. This value indicates that the indicators that measure the Growth Potential variables and company value are declared valid.

#### ***Composite Reliability***

Composite Reliability is the part that is used to test the value of the reliability of indicators on a variable. A variable can be declared to meet composite reliability if it has a composite reliability value of > 0.6 (Hair et al., 2013). The following is the composite reliability value of each variable used in this study:

**Table 7. Composite Reliability**

<b>Variable</b>	<b>Composite Reliability</b>
Company Growth Potential	0.972
The value of the company	0.984

Source: Data processed with Warp Pls 7.0 in 2023

Based on the data presented in table 7 above, it can be seen that the composite reliability value of all research variables is  $> 0.6$ . These results indicate that each variable meets composite reliability so that it can be concluded that all variables have a high level of reliability.

### **Cronbach Alpha**

The reliability test with the composite reliability above can be strengthened by using the Cronbach alpha value. A variable can be declared reliable or meets Cronbach alpha if it has a Cronbach alpha value  $> 0.7$ . (Hair et al., 2013). The following is the Cronbach alpha value of each variable:

**Table 8. Cronbach Alpha**

<b>Variable</b>	<b>Cronbach Alpha</b>
Company Growth Potential	0.943
The value of the company	0.967

Source: Data processed with Warp Pls 7.0 in 2023

Based on the data presented above in Table 8 it can be seen that the Cronbach alpha value of each research variable is  $> 0.7$ . Thus these results can indicate that each research variable has met the requirements for the Cronbach alpha value, so it can be concluded that all variables have a high level of reliability.

### **Evaluation of Structural Model Testing Results (Inner Model)**

Before interpreting the results of hypothesis testing, the model should have a good Goodness of Fit. After this evaluation meets the good requirements, the data analysis step is carried out by evaluating the proof of the research hypothesis.

### **Evaluation of Goodness of Fit Structural Equation Model**

The output of the WarpPLS program gives the results of the fit indices and P models values display the results of three fit indicators, namely the Average Path Coefficient (APC), Average R-Squared (ARS), and Average Variance Inflation Factor (AVIF).

**Table 9. Evaluation of the Goodness of Fit in the Model Structural Equation**

<b>Parameter</b>	<b>Coefficient</b>
Average path coefficient (APC)	=0.277, $P < 0.001$
Average R-squared (ARS)	=0.675, $P < 0.001$
Average adjusted R-squared (AARS)	=0.659, $P < 0.001$
Average block VIF (AVIF)	= 1.481; acceptable if $\leq 5$ ; ideally $\leq 3,3$

Source: Data processed with Warp Pls 7.0 in 2023

Based on the output results in Table 9, it shows that the Goodness of Fit criteria in the structural equation model have fulfilled the criteria. The p value for Average Path Coefficient (APC) is  $<0.001$  ( $<0.05$ ) which means there is a difference in the sign of the path coefficient. ARS and AARS are supported by a significant value ( $<0.05$ ), which means that the contribution of one latent variable is significant in changing other latent variables. Meanwhile, AVIF is 1.416 ( $<3.3$ ) which indicates that the model is free from multicollinearity symptoms.

**R-Square value and Q-Square predictive**

**Table 10. Goodness Of Fit Between Latent Variables**

Variable	R-value Square	Q-Square value	Information
The value of the company	0.943	0941	Powerful and <i>Predictive relevance</i>

Source: Data processed with Warp Pls 7.0 in 2023

Based on table 10 shows the latent variable Value The R-Square of the Firm Value variable is 0.943. This value too shows that the influence of Company Growth Potential can predict 94.3% of Firm Value. R-Square has a range from 0 to 1 with a larger value indicating a higher level of predictive accuracy. R-Square values of 0.75, 0.50, and 0.25 can be assessed as predictive power at substantial, moderate, and weak levels (Hair et al., 2013).

**Testing hypothesis**

To test the hypothesis in studying this, the equation model is used structural (structural equation model/SEM) with WarpPLS 7.0 software assistance, and results are processed as in Table 2 below this.

**Table 11. Results of Hypothesis Testing for Direct Effect, Indirect Effect and Total Effect**

No.	Variable		Direct	Indirects	Total	P-Value	Information
	<i>Independent</i>	<i>Dependent</i>					
1.	Company Growth Potential (X)	The value of the company (Z)	0.949	-	0.949	$<0.001$	Significant Influence

Based on Table 11 shows that the Path Coefficient of the Company's Growth Potential to company value is 0.949. This positive direction has a significant effect because the support p-value of  $<0.001$  is less than 0.05. The results of this study accept the research hypothesis that the company's growth potential has a significant effect on firm value in banking companies on the IDX in 2015-2021.

The results of this study indicate that an increase in the company's growth potential will increase its value of the company. The path coefficient of the influence of the company's growth potential on a company value of 0.949 means that for every 1 (unit) decrease, the

company's growth potential proxied by the Investment Opportunity Set (IOS) is an investment opportunity that will decrease 0.94% of the company's value.

The results of statistical tests on empirical data from this study support the theory that is relevant to the results of this study (Myers, 1976, p. 3) Investment Opportunity Sets (IOS) is a company investment decision in the form of a combination of assets owned by the company (assets in place) and investment options company in the future with a positive Net Present Value (NPV). which will affect the value of the company. investment opportunity set (IOS) is an option to invest on a project that has a positive net present value. The investment opportunity set (IOS) provides a broader clue where the value of the company as the main goal of the company depends on future company expenses (Myers, 1976 : 3)

The findings of this study support according to (Hidayat et al., 2019) Investment opportunity set (IOS) is a company value whose size is depending on the expenses set by management in the future coming, but at the moment it is still the investment choices that are expected by the company will generate a greater return. (Panjaitan & Akmalia, 2020) Investment opportunity set (IOS) as measured by Market to Book Value Assets (MBVA), Market Book Value Equity (MBVE), and Plant, and Equipment to Firm Value (PPMVA) positive and significant effect on the value company, Investment opportunity set (IOS) is an investment decision that done by the company to increase the value of the company in the future. Investors assume that companies with investment opportunities many and varied will have a rate of return (return) is also high so the demand for shares will increase and trigger an increase in stock prices which is an indicator of company value. Test results that have a positive influence show that companies that experience a higher level of Investment Opportunity Set (IOS) due to investments made by these companies will tend to have prospects for increased company growth in the future (Haryanto, 2016). The significant effect of IOS on value companies is caused by the presence of elements share value in the formulation of Tobin's Q. Price stock is the dominant element and has a recurring tendency. Sriwahyuni & Wihandaru (2016) that the investment opportunity set (IOS) has a positive effect significant to company value, the Investment Opportunity Set (IOS) or Investment Opportunity gives a positive signal for the company's growth in the future, so it will increase stock prices as an indicator of company value.

## **CONCLUSION**

Based on the results of the research and discussion, it can be concluded that the Company's Growth Potential has a positive and significant effect on Firm Value. This means that investment opportunities in the future, reflect the company's financial performance or ability to optimally manage company finances so that it is based on the company's ability to look good along with an increase in company value.

Based on the conclusions above, it can be suggested that in providing advice to companies in determining investment decisions, funding decisions, and decisions in issuing dividends, companies need to obtain information and manage as well as possible the important factors that affect company value such as Investment Opportunity Set In order to create opportunities -investment opportunities and favorable policies for management and investors

## REFERENCES

- Benitez, J., Henseler, J., Castillo, A., & Schuberth, F. (2020). How to perform and report an impactful analysis using partial least squares: Guidelines for confirmatory and explanatory IS research. *Information & Management*, 57(2), 103168.
- Hair, J. F., Ringle, C. M., & Sarstedt, M. (2013). Partial least squares structural equation modeling: Rigorous applications, better results and higher acceptance. *Long Range Planning*, 46(1–2), 1–12.
- Hartono, J. (2000). Teori portofolio dan Analisis Investasi, edisi kedua. In *BPFE, Yogyakarta: Vol. Edisi 3*. BPFE.
- Haryanto, S. (2016). Profitability identification of national banking through credit, capital, capital structure, efficiency, and risk level. *JDM (Jurnal Dinamika Manajemen)*, 7(1), 11–21.
- Hidayah, N. (2017). Pengaruh investment opportunity set (IOS) dan kepemilikan manajerial terhadap nilai perusahaan pada perusahaan property dan real estat di bursa efek indonesia. *Jurnal Akuntansi*, 19(3). <https://doi.org/10.24912/ja.v19i3.89>
- Hidayat, R., Wahyudi, S., & Muharam, H. (2019). Sensitivity of liquidity, investment decision, and financial constraints. *Indonesian Capital Market Review*, 10(1).
- Indrarini, S. (2019). Nilai Perusahaan Melalui Kualitas Laba (Good Corporate & Kebijakan Perusahaan). In *Nilai Perusahaan Melalui Kualitas Laba*. Scopindo Media Pustaka.
- Murniati, S., Mus, H. A. R., Semmaila, H. B., & Nur, A. N. (2019). Effect of investment decisions, financing decisions and dividend policy on profitability and value of the firm. *International Journal of Accounting & Finance in Asia Pasific (IJAFAP)*, 2(1).
- Myers, S. C. (1977). Determinants of corporate borrowing. *Journal of Financial Economics*, 5(2). [https://doi.org/10.1016/0304-405X\(77\)90015-0](https://doi.org/10.1016/0304-405X(77)90015-0)
- Panjaitan, S. A., & Akmalia, A. (2020). Pengaruh Profitabilitas, IOS, Leverage, Kebijakan Dividen Terhadap Nilai Perusahaan Sub-sektor Properti dan Real Estate Yang Terdaftar di BEI 2014-2018. *Prosiding UMY Grace*, 1(1), 543–558.
- Salvatore, D. (2013). Managerial economics: Ekonomi Manajerial dalam Perekonomian Global. *Managerial Economics*, 17(2).
- Sholihin, M., & Ratmono, D. (2021). *Analisis SEM-PLS dengan WarpPLS 7.0 untuk hubungan nonlinier dalam penelitian sosial dan bisnis*. Penerbit Andi.
- Sriwahyuni, U., & Wihandaru, S. P. (2016). Pengaruh Profitabilitas, Leverage, Kepemilikan Institusional, Dan Investment Opportunity Set Terhadap Nilai Perusahaan Dengan Kebijakan Dividen Sebagai Variabel Intervening Pada Perusahaan Manufaktur Yang Terdaftar Di Bei Periode 2010-2014. *Jurnal Manajemen Bisnis*, 7(1), 84–109.
- Sugiono. (2005). Memahami Penelitian Kualitatif. In *Bandung: Alfabeta*. Alfabeta.
- Weston, F., & Brigham, E. F. (1985). Manajemen Keuangan, penerjemah Djoerban wahid. In *Edisi Ketujuh, Jilid II, Erlangga, Jakarta*. Erlangga.
- Wiagustini, N. L. P. (2010). *Dasar-dasar manajemen keuangan*. Denpasar: Udayana University Press.