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The Influence of Company Size and Profitability on Company Value

Fitriya Muslimah Zam Zam[1*], Haliah[2], Andi Kusumawati[3]
Faculty of Economic and Bussines, Universitas Hasanuddin
Corresponding Author: Fitriya Muslimah Zam Zam
fitriyamuslimh16@gmail.com

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ABS T RAC T

This study aims to determine the influence of company size and profits on company value through the dividend policy of manufacturing companies. The data analysis techniques used were multiple linear regression and descriptive statistical analysis. Subject of this study shows that the sig value is 0.032 > 0.05 and the t number is 2.770 > t Table 2.262 on the impact of company size on company value, meaning that company size has an impact simultaneously positively affects company value, according to the impact of business size on business value. Subject II shows that the sig value is 0.032 > 0.05 and the t number is 1.571 < Table 2.262 means that there is no effect of profits on firm value. The test results show that business size has a significant positive impact on business value, while profitability does not have a positive impact on business value. The test results show that business size has a significant positive impact on business value, while profitability does not have a positive impact on business value.

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INTRODUCTION

Usually, a business has two goals, short-term and long-term. One of a company's short-term goals is to maximize profits using its resources. At the same time, in the long term, the main goal of the company is to maximize corporate value for the prosperity and happiness of shareholders. The value of a business is assessed to provide insight into the true state of the business. Company value can reflect the value of assets held by the company. The higher the company value, the better the company's image. Company value is often correlated with stock price, so the higher the stock price, the higher the company value. Conversely, the lower the stock price, the lower the company's value.

Every company expects its value to continue to increase and strives to ensure that its performance can be jointly evaluated by its owners and third parties. But the reality is that not every company can quickly increase and maintain its value, because in reality there are still many companies. continues to decline, as evidenced by stock prices falling from year to year. Firm value can be measured using book value (PBV), price-earnings ratio (PER), and Tobbins' Q. In this study, value is measured using a price-to-book proxy book (PBV) according to Brigham & Houston (2013:113). Price to book value, also known as market value to book (M/B ratio), is the price of a company based on its book value. Companies with low risk and/or high growth will be considered good companies by investors, and companies with these characteristics will have high market-to-book value ratios.

The size of a company can be measured by the market value of its shares on the stock market. Small and large capitalization stocks have different sensitivities to risk factors that play an important role in determining asset prices (Jogiyanto, 2007). The capacities of these small companies are so small that their stock prices tend to be more sensitive to changes in the economic sector, and it is difficult for these companies to expand in difficult economic conditions. Furthermore, we know that small businesses are more susceptible to risk and that there are variations in risk premiums (Eodossiou, 2009). Based on Ilham, Haliah & Nirwana (2022), indirectly explains that firm profitability has a positive impact on firm value because selective activity-based cost management can increase optimization net profit of a company. Building on the work of Novari and Lestari (2016), Indrayani, Endiana, and Pramesti (2021), Dwiastuti and Dillak (2019) explain this support by the fact that there is a significant positive effect shown for the variables about the company's size and profits.

THEORETICAL REVIEW

Signal Theory

According to Brigham (2019), signal theory is an action taken by company management to provide investors with an indication of their views on the company's prospects. Meanwhile, according to Suganda (2018), signal theory is useful for interpreting an action by company management in conveying information to investors which will ultimately be able to change investors' decisions in looking at the condition of a company.

In general, the market will respond to this information as a good signal (good news) or a bad signal (bad news). The signals shared will have an influence on the stock market, especially the company's share price. If the company management signals good news, it can increase share prices. However, on the other hand, if management's signal shows a bad signal (bad news), it can result in a decline in the company's share price. Therefore, signals from the company are important for investors in considering and making decisions.

Stakeholder Theory

Devi (2017) states that stakeholder theory is a theory where stakeholders have the authority to access information and reports related to the activities of a company, this information will influence stakeholder decision making regarding the company. Apart from that, stakeholders use this information if they want to play a direct role in the company or vice versa. The aim of stakeholder theory is to increase the value of company activities, as well as minimize losses to stakeholders that may occur when the company and stakeholders carry out their relationship.

Company Size

According to Brigham & Houston (2011), company size is increasing, as seen from the size of a company, which can be classified according to different criteria. The methods referred to include total income, total assets and equity. The size of a company is a measure that can be seen from the total assets owned by a company or organization that unites and manages various resources intended for the production of goods or services that are sold.

Profitabilty

Profitability is a company's ability to gain profit or profit in a certain period by utilizing all the resources it has in managing the company's operational activities. Information related to a company's profitability ratio is one of the important things in running a business, because this ratio can measure the level of management effectiveness when managing the resources that have been entrusted to it. This ratio can also be used to monitor and evaluate the development of company profits from time to time which will have an impact on the company's survival.

Company Value

According to Sugeng (2017), company value is based on the net worth of the company owner. Therefore, the main goal of company owners is to increase the value of the company. Increasing company value can be interpreted as increasing the value of the company owner's wealth. Company value is a value that the company has, which describes the condition of the company and is a reflection of public trust in the company since the company was founded until now. Company value describes the condition of the company and is very important for shareholders and investors.

METHODOLOGY

This type of research uses quantitative methods. The research was conducted on a number of companies in the infrastructure sector listed on the Indonesia Stock Exchange in 2019-2021. Data collection was obtained through the Indonesian Stock Exchange (IDX) website www.idx.co.id. The type of data For this study is quantitative data. The data source used in this study is secondary data. Literature and docsument research were the data collection techniques in this study. The subjects of this study are infrastructure companies listed on the Indonesia Stock Exchange from 2017 to 2021, out of a total of 61 companies, a sample of 40 companies was taken using the systematic sampling method. purpose. The data analysis method in this study is multiple regression analysis processed using SPSS 25 application.

This multiple linear regression equation is formulated as follows:

$$(i) \quad Y = \alpha + \beta 1X1 + \beta 2X2 + e$$

Information:

Y = Firm Value
X1 = Company Size
X2 = Profitability
α = Constant or intersection point with the Y axis, when X = 0
β1-β2 = Slope or direction of the regression line which states the change in Y value as a result change of 1 unit of X (respective regression coefficient Xi)
e = Confounding Variable (Residual Error)

RESULTS

Influence of Company Size and Profitability on Company Value

The results of the descriptive statistical tests consisting of the mean, median, maximum, minimum, and standard deviation of each variable with N totaling 195 data, are presented as follows:

Table 1. Analysis Statistic Descriptive

	N	Minimum	Maximum	Mean	Std. Deviation
Company Size	120	23,461	33,256	29,37571	2,109143
Profitabilitas	120	-0,3763	2,7607	1,19042	7,793736
Company Value	120	0,401	32,674	2,28506	3,419797
Valid N (listwise)	120				

Source: Processed Data (2023)

Based on Table 1 presented above, the results of the descriptive statistical analysis of this study can be described as follows:

1. The sample is taken from the financial statement data of 40 companies in the infrastructure sector over three years of observation (2019-2021) amounting to 120.
2. The results of statistical analysis describing the company size variable show that the smallest value of the variable measured according to the natural logarithm of total assets is 23,461 and the largest value is 33,256 with an average value of 29. 37571 and the standard deviation is 2.109143 .
3. The results of the descriptive statistical analysis of the profitability variable show that the minimum value of the variable measured by the return on assets (ROA) index is -0.3763 and the maximum value is 2, 7607 with a mean of 1.19042 and a standard deviation of 7.793736.
4. The results of the descriptive statistical analysis of the firm value variable show that the minimum value of the variable measured by the Price Book Value (PBV) proxy is 0.401 and the maximum value is 32.674 with the mean value is 2.28506 and the standard deviation is 3.419797.

Table 2. Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		9
Normal Parameters[a,b]	Mean	0,0000000
	Std. Deviation	0,18171791
Most Extreme Differences	Absolute	0,129
	Positive	0,129
	Negative	-0,086
Test Statistic		0,129
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)

Based on Table 2 above, it can be seen that the normality test performed using the Kolmogorov Smirnov (K-S) test produces a significant value of the residual variable of 0.200 or greater than 0.050. Therefore, the remaining data from this study were normally distributed such that the assumption of normality was met.

Table 3. Multicollinearity Test Results

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	8,595	1,166		7,374	0,000		
	Company Size	0,000	0,000	-0,663	-2,770	0,032	0,971	1,030
	Profitability	-0,085	0,054	-0,376	-1,571	0,167	0,971	1,030
a. Dependent Variable: PBV								

Source: Processed Data (2023)

Based on Table 4 above, it can be seen that all independent variables in this study have tolerance values greater than 10% and no variables have VIF values greater than 10. From these results, It can be concluded that the independent variables included in this regression model do not have any relationship or correlation between them, so the regression model does not have multicollinearity.

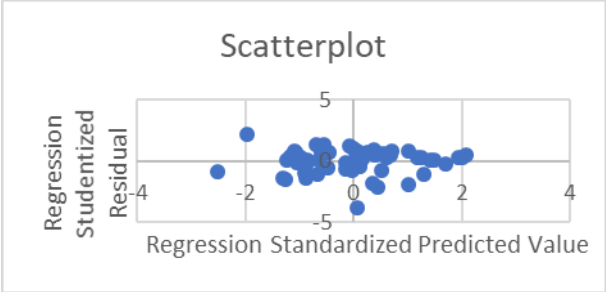

Figure 1. Heteroscedasticity Test Results
Source: Processed Data (2023)

From the scatter plot in Figure 1 above, it can be seen that the points or histograms are randomly distributed above and below zero on the Y axis such that no specific reason is formed. From there, it can be concluded that the regression model used in this study does not encounter heterogeneity.

Table 4. Multiple Linear Regression Analysis Results Coefficients

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8,595	1,166		7,374	0,000
	Company Size	0,081	0,255	-0,663	-2,770	0,032
	Profitabillity	-0,085	0,054	-0,376	-1,571	0,167

Source: Processed Data (2023)

Based on the processed data in Table 6, the regression equation is obtained as follows:

$$Y = 8,585 + 0,081X1 + -0,085X2$$

The equation can be described as follows:

1. The constant value for the result is 8.585, which means if all the independent variables (company size and profitability) are zero then the value of the dependent variable (company value) will be 8,585.
2. The regression coefficient value of the company size variable (X1) gives a positive result, i.e. 0.081. This can be understood as if the enterprise scale variable (X1) increases by 1 unit, the enterprise value variable (Y) will Increase by 0.081 units assuming the values of other independent variables do not change (remain the same). same value). 3. The regression coefficient value of the enterprise size variable (X2) gives a positive result, specifically -0.085. This can be understood as if the profitability variable (X2) increases by 1 unit, the enterprise value variable (Y) will decrease -0.085 units assuming the values of other independent variables do not change (keeping the same).

Table 5. Determination of Coefficient Test Results

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.816[a]	0,666	0,555	0,20983

Source: Processed Data (2023)

From Table 5 above, it can be seen that the adjusted R^2 has a value of 0.20983. It shows that the independent variables (company size and profits) can have a 20.9% impact on the dependent variable (audit time), while the remaining 79.1% (100%-20, 9%) will be affected by variables other than the regression model.

Table 6. F Test Results

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0,527	2	0,263	5,984	.037[b]
	Residual	0,264	6	0,044		
	Total	0,791	8			

Source: Processed Data (2023)

Based on Table 6, it seems that the value of F-count > F-table (5.984 > 4.10) is significant < 0.05 (0.037 < 0.05), therefore it can be concluded that the hypothesis is accepted, meaning that the size and profitability of the company have an influence on the value of the company.

Table 7. T Test Results

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8,595	1,166		7,374	0,000
	Company Size	0,081	0,255	-0,663	2,770	0,032
	Profitabillity	-0,085	0,054	-0,376	1,571	0,167

Source: Processed Data (2023)

From the partial test in table 7 above, the interpretation obtained is as follows:

1. The t-statistic test between variable X1 (company size) and variable Y (company value) shows results in which the obtained t-number is 0.373 with a significance value of 0.032. Because the significance value shows that the result is smaller than the predetermined α value (0.032 0.05), it means that the hypothesis is rejected and variable X2 (profitability) has a significant influence on variable Y (company values).
2. The t-statistic test between variable X2 (profitability) and variable Y (company value) shows results in which the obtained t-number is 0.167 with a significance value of 0.032. Since the significance value shows that the result is smaller than the predetermined α value (0,1,67 > 0,05), this means that the hypothesis is rejected and variable X2 (profitability) has an impact. significantly affects variable Y (company value).

DISCUSSION

The Effect of Company Size on Firm Value

Sig value is known. As for the effect of company size on company value, it is 0.032 > 0.05 and the number t is 2.770 > t in table 2.262, so we can conclude that H1 is accepted, meaning there is concurrent positive impact of company size on company value. Company size reflects the size of a company, evidenced by total assets held. The larger the company size, the higher the company value. Companies with high growth rates will give positive signals so investors are interested in investing in the company. The results of this study are consistent with previous research conducted by Hidayat & Khotimah (2022), Novari and Lestari (2016), Indrayani, Endiana and Pramesti (2021), Dwiastuti and Dillak (2019), Dewantari, Cipta and Susila (2019).

The Effect of Profitability on Firm Value

We know that the value Sig. Regarding the effect of profitability on company value, it is 0.032 > 0.05 and the t-number is 1.571 < Therefore, in table 2.262, we can conclude that H2 is rejected, meaning there is no effect of profits on the value of the company. According to (Kasmir, 2015), profitability is a ratio to see the profits a company generates through its capabilities and resources, both from sales activities and investment income. High profitability cannot

affect the value of the company. In this study, profitability is measured by ROE, meaning that if viewed from a capital perspective, profitability will not be attractive to investors. Because if the company's profits are high and the capital is also high, the profits that investors will receive will only be low. The results of this study are consistent with the study of Hidayat & Khotimah (2022), but not the same as Dewantari, Cipta, and Susila (2019).

CONCLUSIONS AND RECOMMENDATION

Based on data analysis result and discussion previously, some conclusions can be drawn as follows:

1. Company size will have a significant impact on company value in infrastructure companies listed on the Indonesia Stock Exchange from 2019 to 2021, so *H*1 is determined by the investor. The research proposed in this study can be accepted.
2. Profitability will not significantly affect the value of infrastructure companies listed on the Indonesia Stock Exchange from 2019 to 2021, therefore, *H*2 proposed by the investor in this study is rejected

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