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ANALYSIS OF THE INFLUENCE OF COMPANY SIZE AND PROFITABILITY ON COMPANY VALUE

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Abstract: The purpose of this study is to find out if the size of the company and profitability affect the value of the company. In this study, the size of the company is measured by the total assets owned by the company, profitability is measured using ROA and the value of the company is measured using the price earnings ratio. The data studied came from the official website of the Indonesia Stock Exchange (IDX), as for the object of this study, namely companies indexed LQ 45 for the period 2016-2019. The research hypothesis was tested using multiple linear regressions. The results showed that profitability positively influenced the value of companies proving that companies with higher profitability tended to have higher corporate value, while the size of the company had a positively marked coefficient indicating that larger companies tended to have higher corporate value, but the size of the company had a very weak influence on the value of the company. Despite the weak influence of the company's size on the company's value, simultaneous testing proved that the size of the company and profitability had a positive effect on the company's value by 24.5%. Therefore, this research contributes better visualization for potential investors who will invest in a company by paying attention to several factors that determine the value of a company.
Keywords: Company size, Profitability, Company value

INTRODUCTION

The purpose of the establishment of the company is to create goods / services that can be sold in order to generate profit or profit. In running a business to generate profit or profit, many companies finally raise working capital so that the company can operate well so that what is the company's business objectives can be achieved to the maximum including increased profit and liquidity that is expected. Working capital needs can be met from various sources and have different types. Capital consists of equity (own capital) and debt (debt), then the comparison between debt and own capital in the financial structure of the company is called the capital structure (Indriyani, 2017) Any funding decisions derived from internal or external funding require the company to be able to consider the benefits and costs of the selected sources of funds, taking into account how the optimal combination of debt funding and own capital (equity). Mistakes in determining the capital structure will have a wide impact, especially for companies too large in the use of debt so that the burden borne by the company will be greater. So it is very important for the company in improving the company's production activities, marketing and strategy in the face of increasingly competitive competition.

According to Brigham and Houston in (Indriyani, 2017) that several important factors in determining the capital structure include the size of the company, the structure of assets, leverage, growth rate, profitability, taxes, control, attitude of lenders and rating assessors, market conditions, internal conditions of the company and financial flexibility. In the theory of capital structure, trade off theory states that the proportion of optimal capital structure ratio can be found by balancing the profit of using debt with the bankruptcy cost of the company's debt. One of the phenomena concerning the soaring need for external funding but resulting in the weakness of some stocks was reported by Kompas.com on 17/04/2018 that the movement of jumbo market-capitalized stocks is so vulnerable because since the beginning of the year until yesterday (ytd), the LQ45 index has slumped 4.84 percent. In the same period, the Composite Stock Price Index (JCI) was still better, at minus 1.08 percent. Jasa Marga's share price (JSMR) was the deepest corrected, at minus 27.50 percent (ytd), followed by Indocement Tunggal Prakarsa (INTP), and Telekomunikasi Indonesia (TLKM), which shrank by 17.54 percent and 16.67 percent, respectively. Danareksa Sekuritas analyst, Lucky Bayu Purnomo, assessed the weakening of some of the liquid stocks because the LQ45 index has been relatively high and expensive. "Accumulated buying is an alternative to getting around this situation," he said.

Based on the above phenomenon, it appears that shareholders (investors) in making investments require some important information about the company. It is useful for shareholders (investors) to predict the extent of the company's achievements from the shares to be chosen as well as the optimal profit to be obtained, because the high value of the company also indicates the high prosperity of shareholders, because the higher the value of the company investors will get additional benefits in addition to dividends given by the company in the form of capital gains from the shares they own (Astuti & Yadnya, 2019) In addition, the information helps investors to minimize risks in decision making. The information required by the shareholders (investors) can be obtained through the assessment of the company's financial statements. In accordance with the decision of the chairman of Bapepam No. Kep.38/PM/1996 (Ketua et al., 1996) which requires companies to submit annual reports so that there is transparency of information related to the performance of the company concerned. That way, shareholders (investors) are easier to get information and at the same time know the reputation and performance of the company.

One factor that can affect the value of the company is the size of the company. The size of the company is distinguished in several categories, namely large companies, medium enterprises and small companies. The size of the company is large and continues to grow can describe the level of future profit, the ease of financing can affect the value of the company and be good information for investors according to Eko In (Astuti & Yadnya, 2019) So why the size of the company becomes one of the factors of the value of the company because investors will think that large companies will be more able to minimize risk and have better credit than small companies.

Viewed from an investor's point of view, another factor that can be an important indicator to assess the company's future prospects is to see the extent of the company's profitability growth. This indicator is very important to know the extent to which the investment that will be made by investors in a company is able to provide a return that corresponds to the level that the investor hints at. One of the indicators that investors

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see when they want to invest is the company's net profit. The company's profit is the company's ability to fulfill obligations for its funders that show the value or prospects of the company in the future. Therefore, investors will only invest their funds to reputable companies. Reputable companies are companies that are able to increase the company's profit and pay dividends constantly to shareholders. The higher the profit achieved by the company, the higher the share price of the company. This is in line with the statement from (Lumoly, et al., 2018) which mentions the prospect of a good company showing high profitability, companies that have a high level of profitability will be attracted by investors so that investors will respond positively and the value of the company will increase.

Research conducted by (Indriyani, 2017) obtained the results that the size of the company negatively affects the value of the company, as well as research from (Astuti &Yadnya, 2019) which resulted in that the size of the company does not have a significant influence on the value of the company. In contrast to the two studies, precisely (Lumoly et al., 2018) resulted in that the size of the company had a positive and significant effect on the value of the company. In contrast to the company's variable size precisely the three studies from (Indriyani, 2017), (Astuti &Yadnya, 2019) and (Lumoly, et al., 2018) stated that profitability has a significant influence on the Company's Value.

Against the background of the rise of previous research results and phenomena in the year, the author intends to conduct research with the title of analysis of the influence of company size and profitability on the value of the company (case study on manufacturing sector companies with LQ 45 index listed on the Indonesia Stock Exchange period 2016-2019 with the aim to retest how much influence each independent variable has on the dependent variable and test the simultaneous influence of independent variables on dependent variables.

METHODS

Variables in this study were company sizes measured by total assets, profitability as measured by Net Profit Margin (NPM) and company value as measured by The Price Earnings Ratio (PER). The population in this study is a LQ 45 indexed manufacturing company listed on the Indonesia Stock Exchange for the period 2016 - 2019 the data source comes from the official website of the Indonesia Stock Exchange, namely www.idx.co.id. To conduct data sampling in this study researchers used purposive sampling method and obtained 112 data samples. The research method used is a verificative method with quantitative. Hypothesis testing is performed using multiple linear regression analysis. Here are the details of the research sample:

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Table 1 Criteria of Sampling

Criteria	Amount
Companies classified as LQ45 index registered in IDX for the period 2016-2019	45
Companies classified as inconsistent LQ45 index listed in IDX for the period 2016-2019	-16
Companies classified as LQ45 indexes that have PER minus (-) registered in IDX for the period 2016-2019	-1
Number of companies that are the object of research x 4 years	**112**

RESULTS AND DISCUSSION

Descriptive Analysis

Analysis of descriptive statistical data presented in this study includes minimum, maximum, mean, and standard deviation values. Here are the results of descriptive statistical analysis of the research conducted:

Table 2 Descriptive Statistics

	Min	Max	Mean	Std. Dev
Company Value	0,056	1,417	0,247	0,248
Company Size	5.038.903	1.210.887.500	202.677.888	341.240.508
Profitability	-0,0654	0,3942	0,0955	10,44

Source: Data Procesing 2021

The average value of LQ 45 companies listed on the Indonesia Stock Exchange decreased in 2018 and 2019. However, when viewed from the average value of each year which is still smaller than 1 shows that in general LQ 45 companies listed on the Indonesia Stock Exchange still have a lower share price than the profit per share. Among the 28 companies, PT. Aneka Tambang Tbk is the company with the highest value during the period 2016-2019 with an average price earnings ratio of 1.42 times. On the contrary PT. Sri Rejeki Isman Tbk is the company with the lowest value during the period 2016-2019, with an average price earnings ratio of 0.056 times. During the period 2016-2019, there was only 1 company whose value continued to increase and as many as 6 companies whose value continued to decline during the period 2016-2019.

Continued on the average profitability of LQ 45 companies listed on the Indonesia Stock Exchange which also continued to decline from year to year during the period 2016 -2019. The highest profitability during the period 2016-2019 was achieved by PT. Unilever Indonesia Tbk, on the contrary, the profitability of PT. Aneka Tambang Tbk was the lowest during the period 2016-2019. Then when viewed from the development, there

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are 6 companies whose profitability continues to decline from year to year during the period 2016-2019, and only 2 companies whose profitability continues to increase from year to year during the period 2016-2019.

And the latter is for variable size companies. Total assets of LQ 45 companies listed on the Indonesia Stock Exchange continued to increase during the period 2016-2019. Pt. Bank Rakyat Indonesia Tbk, is the largest size company among the 28 companies studied, where its total assets reach thousands of trillions of rupiah. On the contrary PT. Matahari Departement Store Tbk is the smallest of the 28 companies studied, where its total assets only reach trillions of rupiah. There are 21 companies whose total assets continue to increase year on year during the period 2016-2019, and only 7 companies whose total assets tend to fluctuate.

Multiple Linear Regression Analysis

Multiple linear regression equation models are used to estimate how much the company's value (PER) changes are caused by changes in independent variables of company size (LnTA), and Profitability (NPM). The results of the estimated equation of multiple linear regression models using IBM SPSS Statistics 22 software obtained the following outputs:

Table 3 Multiple Linear Regression Analysis

Model	B	Std. Error	Beta	t	Sig.
(Constant)	-0,195	0,241		-0,813	0,418
LnTA	0,01	0,007	0,149	1,397	0,166
NPM	0,006	0,001	0,574	5,382	0

Source: Data Procesing 2021

Based on the unstandardized coefficients as presented in the table above, multiple linear regression equations can be formed as follows:

Y - 0.195 + 0.010 X1 + 0.006 X2

Where:

Y = Company value

X1= Company size

X2= Profitability

Through the results of these multiple linear regression equations, the coefficients of each independent variable can be interpreted as follows:

A. A constant of -0.195 times indicates the average value of the company (PER), when the size of the company (LnTA), and profitability (NPM). That is when the total asset, and net profit margin is equal to zero, then the value of the company (PER) in negative conditions.

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ISSN 2550-0732 print / ISSN 2655-8319 online
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B. The size of the company has a positively marked coefficient of 0.010 indicating that any increase in total assets in exponential multiples is predicted to increase the price earnings ratio by 0.010 times. This means that larger companies tend to have higher corporate value (PER).
C. Profitability (NPM) has a positively marked coefficient of 0.006 indicating that any increase in net profit margin by 1% is predicted to increase the price earnings ratio by 0.006 times. This means that companies with higher net profit margins tend to have higher corporate value (PER).

Coefficient of Determination

Next calculated coefficient of determination to find out how much influence the size of the company, and profitability on the value of the company. The coefficient of determination value is obtained through processing results using IBM SPSS Statistics 22 software as presented in the following table:

Table 4 Coefficient of Simultaneous Determonation

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,504[a]	0,254	0,239	0,09028	2,202

a. Predictors: (Constant), NPM, Ln_TA
b. Dependent Variable: PER

Source: Data Procesing 2021

In the table above can be seen the value of coefficient of determination (R Square) of 0.254 shows that the size of the company, and profitability simultaneously contribute / influence by 25.4% to the value of the company in the LQ 45 company listed on the Indonesia Stock Exchange. While the remaining 74.6% is influenced by other factors beyond the size of the company, and profitability.

Test F

Furthermore, to prove whether the size of the company, and profitability simultaneously affect the value of the company, a test of significance with statistical hypotheses as follows:

H0 : All $\beta i = 0$: Company size, and profitability simultaneously have no effect on the company's value.

Ha : There is $i \neq \beta 0$: The size of the company, and profitability simultaneously affect the value of the company.

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ISSN 2550-0732 print / ISSN 2655-8319 online
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To test the hypothesis is used simultaneous test through test F obtained through the table Anova as presented in the following table:

Table 5 Anova table to test Simultaneous

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	0,269	2	0,135	16,521	,000[b]
Residual	0,791	97	0,008		
Total	1,06	99			
a. Dependent Variable: PER					
b. Predictors: (Constant), NPM, Ln_TA					

Source: Data Procesing 2021

There is a table above can be seen the value of Fcalculated value of 16,521 with a value of significance close to zero. Then the table F value at the significance level of 5% (= 0.05) and the free degrees 2 and 97 are 3.09. The test criteria used are as follows:α

If F count > t table, then H0 is rejected (significant)

If F counts ≤ F table, then H0 is accepted (insignificant)

Since the F count (16,521) is greater than the F table (3.09) and the significance value is less than 0.05, then at the error rate of 5% it was decided to reject Ho so that Ha was accepted. Thus it can be concluded that the size of the company, and profitability simultaneously affect the value of the company in lq 45 companies listed on the Indonesia Stock Exchange.

Discussion

H_1: The size of the company has no effect on the value of the company

The first partial hypothesis to be tested is the influence of the company's size on the company's value. To prove whether the size of the company affects the value of the company, conducted a test of significance with statistical hypotheses as follows:

H0 : $\beta1 = 0$: The size of the company has no effect on the value of the company.

Ha : $\beta1 \neq 0$: The size of the company affects the value of the company.

A summary of the test results of how the company size affects the company's value can be found in the following table:

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Vol. 5 No.3/ December 2021
ISSN 2550-0732 print / ISSN 2655-8319 online
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Table 6 Test Result T

Standardized Coefficient	**tcount**	**Sig.**	**$t_{table\ (db:97)}$**	**Ho**
0,149	1,397	0,166	1,985	Accepted

Source: Data Procesing 2021

In the table above can be seen standardized coefficient value of 0.149, according to (*Gujarati.Pdf*, n.d. 2009) standardized coefficient can be used as a measure of predictor strength. So through standardized coefficient (0.149) it can be known that the size of the company gives a very weak influence on the value of the company. Then the value of t calculates the influence of the company's size on the company's value of 1,397 with a significance value of 0.166. The result obtained from the comparison of t count with table t is t count is between negative and positive t table (-1,985 ≤ 1,397 ≤ 1,985), and significance value greater than 0.05, so at the error rate 5% decided to accept Ho and reject Ha. Thus, it can be concluded that the size of the company has no effect on the value of the company in lq 45 companies listed on the Indonesia Stock Exchange.

H_2: Profitability affects the value of the company

To prove whether profitability affects the value of the company, a statistical hypothesis is conducted with the following statistical hypotheses:

H0 : 2 = 0 : Profitability has no effect on the value of the company.β

Ha : 2 ≠ 0 : Profitability affects the value of the company.β

A summary of the results of the test of the impact of profitability on the value of the company can be seen in the following table:

Table 7 Test Result T

Standardized Coefficient	**t_{hitung}**	**Sig.**	**$t_{tabel\ (db:97)}$**	**Ho**
0,574	5,382	0	1,985	Rejected

Source: Data Procesing 2021

In the table above can be seen the standardized coefficient value of 0.574, showing that profitability has a fairly strong influence on the value of the company. Then the value t calculates the effect of profitability on the value of the company of 5,382 with a value of significance close to zero. The result obtained from the comparison of t count with table

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t is t count greater than the positive t table (5,382 > 1,985) and the significance value is less than 0.05, so at the error rate of 5% it is decided to reject Ho and accept Ha. Thus, it can be concluded that profitability has a significant effect on the company's value in LQ 45 companies listed on the Indonesia Stock Exchange.

The regression results show that profitability measured through net profit margin has a positively marked coefficient of 0.006 which indicates that companies with higher profitability tend to have a higher corporate value (PER). Profitability has a strong influence on the value of the company, and the test results accept the research hypothesis, so it is concluded that profitability has a significant effect on the value of the company.

CONCLUSION

Based on the results of the study and discussion on the influence of company size, and profitability on the value of the company, then at the end of this study the authors draw the following conclusions: Company sizes have positively marked coefficients that indicate that larger companies tend to have higher corporate value. But the size of the company has a very weak influence on the value of the company, and the test results show that the size of the company has no effect on the value of the company. Profitability has a positively marked coefficient that indicates that companies with higher profitability tend to have higher corporate value. Profitability has a strong influence on the value of the company, and the test results show that profitability affects the value of the company. The size of the company, and the profitability simultaneously affect the value of the company in LQ 45 companies listed on the Indonesia Stock Exchange. Simultaneously the size of the company, and profitability contributed / influenced by 25.4% to the value of LQ 45 companies listed on the Indonesia Stock Exchange.

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