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Factors Influencing Company Value in Property and Real Estate Companies and Building Construction in Indonesia

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ABSTRACT: The purpose of this study was to analyze the relationship between profitability and firm value moderated by firm size. The research population in this research is property and real estate and building construction companies listed on the Indonesia Stock Exchange for the 2019-2021 period. There were 57 samples in this study which were taken by purposive sampling method. The data analysis method used is moderate regression analysis, with the results showing that profitability has no effect on firm value. However, profitability has an effect on firm value moderated by firm size.

KEYWORDS: Company Size, Company Value, and Profitability.

I. INTRODUCTION

Firm value is the price paid by investors or potential investors through share ownership and share price movements. Increases or decreases in stock prices have a significant effect on the value of a company, although this is not the only determinant. One of the determinants of company value is the stock price. The stock price is the price on the real market and is the easiest price to determine because it is the price of the stock on the ongoing market, or if the market is closed, the market price is the closing price [1]

Investors or the general public can see the stock price itself in the company's financial reports, which are available on the company's website or on the Indonesia Stock Exchange's website. The stock prices of companies listed on the Indonesia Stock Exchange for the 2019 – 2021 period show that in 2019 the stock prices for property, real estate, and building construction companies have low prices. In 2020, property, real estate, and building construction companies will still have low share prices, and in 2021 construction, real estate, and building construction companies will have declining share prices. The low share price will result in the company's financial performance will decrease and make the company's value in construction, real estate,

Based on the phenomenon of declining property, real estate, and building construction stocks in Indonesia, several studies have examined the relationship between firm value and many influencing factors. Among other factors, profitability is the ability of a company to earn profits in a certain period [2]. The profitability ratio is a ratio to assess a company's ability to make a profit [6]. The profitability ratio is a ratio to measure the level of effectiveness of company management, as shown by the amount of profit generated from sales and investment. The results of previous research stated that profitability had an effect on firm value. [13], [9], and [14], but there are also research results which state that profitability has no effect on firm value [5]. The factor of firm size on firm value has also been widely studied with the result that firm size affects firm value [4], [5], and [12], this means that the larger a company, the more it will be known by the public and means the easier it is to to get information about the company. Large companies certainly have large total assets and total revenues [10]. Thus makes attention for investors to continue to invest and invest their capital in the company and will provide more value to the company.

II. LITERATURE REVIEWS

2.1 The value of the company

Company value is a specific condition that is realized by the company as a reflection of public trust in the company after going through a process of activity for several years, from the founding of the company to the present [2]. Firm value is the investor's perception of the success rate of managers in managing the company's resources entrusted to them, which is often associated with stock prices [3]. Firm value is basically measured from several aspects, one of which is the company's stock price because the company's stock market price reflects investors' assessment of the equity owned [15]. The higher the stock price, the higher the value of a company. The high corporate value will not only make shareholders believe in the company's current performance but also in the company in the future.

The value of the company has a very important position for the company because when the value of the company increases, what happens next is the share price which reflects the increase in shareholder wealth. For managers, the value of the company is a measure of the work performance that managers have achieved. Increasing the value of a company indicates an increase in company performance. Indirectly, this is considered the ability to improve the welfare of shareholders as the company's goal. For investors, an increase in the value of the company will make investors interested in investing in the company [3].

The company value indicator in this study is Tobin's Q, because the use of Tobin's Q as a ratio in this study is Tobin's Q is the ratio used to determine company performance through the potential development of a stock price, the potential ability of managers to manage company assets and investment growth potential [3].

2.2 Profitability

There are several types of profitability ratios that can be used, namely [6]: 1) The profit margin on sales is used to measure the profit margin on sales - sales in a period or several periods; 2) Return on Investment is the ratio used to show the return on the total assets used by the company or a measure of management activity; 3) Return on equity is the ratio to measure a net profit after tax with equity; 4) Earnings per share is a ratio to measure the success or failure of management in achieving profits for shareholders. The ratio used in this study is the return on equity because the use of return on equity as a ratio in this study is the return on equity, which is a ratio used to measure a company's success in generating profits for shareholders [6].

2.3 Company Size

Company size is a scale that shows the size of a company which can be seen through the total amount, which includes capital, income, sales, stock prices, market value, and the total number of other assets [10]. Company size can be indicated by the total assets or sales owned by the company. The greater the total assets owned by the company, the larger the size of the company. In addition to this, company size can also influence the level of investor confidence. If the size of the company increases, it means that the company is able to show good development and growth, which means that the total assets of the company are getting bigger.

Company size is the size of the company, both in terms of assets and in terms of sales levels, which will greatly affect the amount of working capital [7]. The total assets of a company can show how big the size of the company is and how efficient it is in managing assets for the company's operational activities. Company size is calculated using the absolute value of total assets. In addition to total assets, total sales are also a measure of the size of a company. The company size indicator in this study is total assets because the use of total assets as a ratio in this study is that total assets show more overall size of a company and make it easier for investors or shareholders to see how big or small the company is [8].

2.4 Hypothesis

2.4.1 Effect of Profitability on Firm Value

Profitability is the ability of a company to earn profits in a certain period [2]. Profitability is very influential on the life of the company in the future. Low profitability will reduce a company's ability to develop and vice versa if high profitability makes the company grow and develop [2]. This hypothesis is supported by the signal theory, which explains published information as a form of an announcement that can provide signals to investors in making investment decisions [16]. This is caused by the higher the level of company profitability, the better the company's financial performance looks and reflects that the future prospects of the company will be more promising. So that the growth of these prospects will give a positive signal to investors to increase the value of the company [4]. The results of previous research on the effect of profitability on firm value concluded that profitability affects firm value [13], [9], and [14]. At the same time, there are research results that state that profitability does not affect firm value [5]. Based on the theory and results of previous research, the hypothesis in this study: The results of previous research on the effect of profitability on firm value concluded that profitability affects firm value [13], [9], and [14]. At the same time, there are research results which state that profitability does not affect firm value [5]. Based on the theory and results of previous research, the hypothesis in this study: The results of previous research on the effect of profitability on firm value concluded that profitability affects firm value [13], [9], and [14]. While there are research results which state that profitability does not affect firm value [5]. Based on the theory and results of previous research, the hypothesis in this study:

H1: Profitability has a positive effect on firm value

2.4.2 Effect of Profitability on Firm Value Moderated by Company Size

Based on the results of previous research which stated that profitability has no effect on firm value [5], the relationship between profitability and firm value can be moderated by firm size, because firm size is used to convince investors of the company by looking at the value of the total assets that can be used in business activities and company operations. This is caused by the large total assets in a company the greater the size of the company, there is a tendency that more investors will pay attention to the company. Company size is a scale that shows the size of a company which can be seen through the total amount which includes capital, income, sales, stock price, market value, and the total of other assets [10]. This hypothesis is supported by signal theory which reveals that information about company size through information on total assets and total sales published as a form of the announcement can provide a positive signal to investors to invest [16]. The results of previous research on firm size on firm value concluded that firm size has a positive effect on firm value by [4] and [5] and [12]. Based on the theory and results of previous research, the hypothesis in this study:

H2: Company size has a positive effect on firm value

III. METHODS

The research population in this research is property and real estate and building construction companies listed on the Indonesia Stock Exchange for the 2019-2021 period. There were 57 samples in this study which were taken by purposive sampling method. The data analysis method used is moderate regression analysis. The data source used in this research is secondary data in the form of annual reports of property, real estate and building construction companies listed on the Indonesia Stock Exchange (IDX) in 2019-2021. These data were obtained from the official website of the IDX, and were collected using archival research techniques, namely data collection carried out by searching and tracing the annual reports of companies selected as samples.

3.1 Variable Operational Definitions

Firm value in this study is measured by Tobin's Q as a proxy for firm value, because Tobin's Q is used, this ratio measures the state of a company through the price of outstanding shares and the number of different shares and measures the assets and liabilities of a company. Tobin's ratio can be calculated using formula [3]:

$$Q = \frac{(EMV+D)}{(EBV+D)}$$

Profitability in this study is return on equity. Return on equity is a ratio used to measure a company's success in generating profits for shareholders [2]. The profitability formula according to [2] can be calculated using the formula:

$$ROE = \frac{\text{Net Profit}}{\text{Total Equity}} \times 100\%$$

The size of the company in this study is total assets, because using the ratio of total assets to total assets shows more overall size of a company and makes it easier for investors or shareholders to see how big or small the company is. The company size formula according to [8] can be calculated using:

Company Size = Ln Total Assets

3.2 Data analysis method

Data analysis in this study used descriptive statistical analysis in terms of the maximum, minimum, average, and standard deviation of the dependent, independent, moderating variables. Before testing the hypothesis, this study conducted a classic assumption test consisting of normality, multicollinearity, autocorrelation, and heteroscedasticity tests. This study tested the hypothesis using regression analysis and moderated regression analysis. The hypothesis is accepted ifSig. < 0.05 and the hypothesis is rejected if Sig. >0.05.

IV. RESEARCH RESULTS

4.1 Descriptive Statistical and Classic Assumption Analysis

The results of the classical assumption test in this study provides an overview of the data seen from the minimum, maximum, mean, and standard deviation values. Table 1 shows a minimum company value of 0.16, a maximum of 11.39, and a mean of 2.1046, indicating a low company value in the property, real estate and building construction sectors. The standard deviation of 2.51336 is greater than the mean, so company values in the property, real estate and building construction sectors have a large data distribution.

Table 1 shows a minimum profitability of -14.80, a maximum of 27.40, and a mean firm value of 7.5839. This shows that the mean of companies in the property, real estate and building construction sectors earn a profit of 7.58% of the total assets used. While the standard deviation of 8.04559 is greater than the mean, the profitability in the property, real estate and building construction sectors has a large data distribution.

Table 1 shows a minimum company size of 21.78, a maximum of 32.45, and a mean of 27.2765 indicating the average total assets owned by companies in the property, real estate and large building construction sectors. The standard deviation of 3.48837 is smaller than the mean, so company size in the property, real estate and building construction sectors has a small data distribution.

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Means	std. Deviation
The value of the company	57	.16	11.39	2.1046	2.51336
Profitability	57	-14.80	27.40	7.5839	8.04559
Company Size	57	21.78	32.45	27.2765	3.48837
Valid N (listwise)	57				

The results of the classical assumption test in this study were the results of the normality test greater than 0.05, the multicollinearity test results for each variable the FIV value was less than 10, the heteroscedasticity test results for all variables were greater than 0.05, and the autocorrelation test results were greater than 0.05, based on the test results have fulfilled the predetermined criteria so that they can be continued into hypothesis testing. The results of testing the hypothesis are in Table 2. The results of the hypothesis test in Table 2 show that profitability has no effect on company value, this is shown in the Sig value. of 0.841 > 0.05 so that H1 is rejected. Whereas after being tested with firm size as a moderating variable, profitability affects firm value with a Sig value. 0.000 < 0.05 so that H2 is accepted, which can be concluded that company size can influence the relationship between profitability and firm value. Based on the results of the hypothesis test r-squared in the first model (profitability to firm value) of 0.001 and r-squared in the second model (profitability to firm value moderated by firm size) of 0.211.

Table 2.Hypothesis Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	std. Error	Betas		
1	(Constant)	2,169	.463		4,681	.000
	PRO	-.009	042	-.027	-.202	.841
2	(Constant)	1995	.418		4,773	.000
	PRO	.787	.213	2,521	3,699	001
	MOD	-.029	008	-2,589	-3,799	.000*

*Sig. level 0.05

V.DISCUSSION

The level of profitability that is obtained by the company has no effect on the value of the company because the greater or lesser profit obtained from a company does not guarantee an increase in the value of the company. This is supported by the phenomena that occurred in 2020 and 2021 where property companies experienced a significant decline in profits or profits. Company size can affect the high or low profitability of the high or low value of the company, because the high assets owned by the company can increase the level of investor confidence. Even though the Indonesian economy worsened in 2020 and 2021 due to Covid 19, with the high total assets owned by Companies in the property, real estate and building construction sectors maintain the level of investor confidence in the potential ability of managers to manage company assets and investment growth potential.

VI. CONCLUSION

Based on the results of the profitability test on firm value which is moderated by company size at companies in the property, real estate and building construction sectors, shows that the effect of high or low profitability on the high or low value of the company is influenced by the size of the company. This study also shows that the high or low profitability cannot directly affect the high or low value of the company.

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