

# THE EFFECT OF PROFITABILITY, LEVERAGE AND COMPAY SIZE ON COMPANY VALUE IN THE BANKING SECTOR THAT GO PUBLIC IN INDONESIA STOCK EXCHANGE (IDX) PERIOD 2020-2022

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**Abstract.** The study aims to examine the effect of Profitability, Leverage and Company Size on Company Value in the Banking Sector that Go Public in Indonesia Stock Exchange (IDX) period 2020- 2022. This study uses a quantitative method that aims to see the relationship between variables. The data collection technique used is documentation. The population in the financial statements of the Banking Sector that Go Public in Indonesia Stock Exchange (IDX). And the sample is financial statements of the Banking Sector that Go Public in Indonesia Stock Exchange (IDX) for 3 (three) years calculated quarterly. The result of the research had tested classical assumption such as normality assumption, multicollinearity, and heteroscedasticity.by applying multiple linear regression techniques in the process of data analysis. The result showed that partially profitability (ROA), Leverage (DER) didn't influence on the Company value and Size Company influence on the Company Value.

**Keywords:** Company Value, Profitability (ROA), Leverage (DER), Company Size.

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## INTRODUCTION

In the current era of globalization, economic growth and development has intense competition between companies. The banking sector has an important role in spurring economic development towards improving the welfare of the people. Apart from its role in organizing payment traffic and its function as an intermediation institution, the banking sector is also a means of transmitting monetary policy. The big role of the banking sector means that every change that occurs in the banking sector will have an impact on other sectors. Very rapid developments in the banking world can affect the performance of a bank. Competition in the banking world means that every bank must continue to improve its performance so that its goals can be achieved. One of the goals is to obtain maximum profit. Company value can provide maximum shareholder prosperity if share prices increase.

## LITERATURE REVIEW

### The value of the company

Company value is an important measure for investors when investing because company value is recognized as a good research method and covers the entire company, including estimating the future value of shares and determining the amount of capital in shares. In this research, company value is determined by PBV (Price to Book Value) which can be calculated using the following formula:

$$\text{Price Book Value} = \frac{\text{Stock Market Prices}}{\text{Book Value Per Share}}$$

### Profitability

Profitability ratio according to Kasmir (2018: 234) is a ratio used to measure the level of business efficiency and profitability achieved by the bank concerned. In this research, profitability is determined by ROA (Return On Assets), namely comparing net profit after tax with total assets. The ROA formula can be calculated as follows:

$$\text{Return On Asset} = \frac{\text{Net Profit After Tax}}{\text{Total Aktiva}}$$

### Leverage

According to Kasmir (2018: 229), the leverage ratio is a ratio used to measure the extent to which bank assets are financed with debt. This means how much debt the bank bears compared to its assets. In a broad sense, it is said that the leverage ratio is used to

measure a bank's ability to pay all its obligations, both short and long term, if the bank is dissolved or liquidated. In this research, leverage is determined by DER (Debt to Equity Ratio) which is used to assess debt versus equity. The DER formula can be calculated as follows:

$$\text{Debt to Equity Ratio} = \frac{\text{Total Debt}}{\text{Total Ekuitas}}$$

### Company Size

Company size according to Putu Ayu and Gerianta (2018) is that company size is a scale where the size of the company can be classified as measured by total assets, number of sales, share value and so on. Company size can be calculated using the following formula:

$$\text{Company Size} = \text{LN (Total Asset)}$$

### METHOD

In this research, the data source used is secondary data where the data is data that comes from the company's annual report published from the financial report published on the Indonesia Stock Exchange (BEI), namely [www.idx.co.id](http://www.idx.co.id) The technique used to collect data in this research is documentation, namely financial reports from the banking sector that go public on the Indonesia Stock Exchange (BEI), from any appropriate books, research journals and other sources. Research testing uses Descriptive Analysis, Classic Assumption Test and Multiple Regression Analysis.

### RESEARCH RESULT

**Table 1**  
**Descriptive Analysis**

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Profitability	60	.00	.03	.0094	.00706
Leverage	60	3.10	8.56	5.8577	.93512
Company Siza	60	10.64	21.41	18.1839	4.02416
The value of the company	60	2.10	9.51	4.3950	1.76848

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Valid N (listwise)	60				
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Data Source: SPSS Version 29

Based on table 2 above, it can be concluded that the variable X1 Profitability has an average value of 00094, a maximum value of 0.03 and a minimum value of 0.00. The X2 Leverage variable has an average/mean value of 5.8577, a maximum value of 8.56 and a minimum value of 3.10. Variable X3 Company Size has an average/mean value of 18.1839, a maximum value of 21.41 and a minimum value of 10.64. Meanwhile, Variable Y Company Value has an average/mean value of 4.3950, a maximum value of 9.51 and a minimum value of 2.10.

**Table 2**  
**Normality test**

Variabel	Sig.
Unstandardized Residual	0,200

Data Source: SPSS Version 29

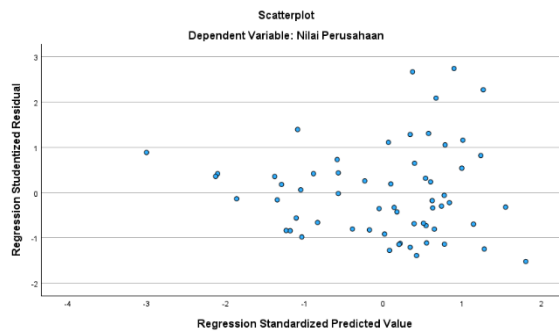
Based on table 1 above, it is known that the significant value is  $0.200 > 0.05$ . This means that all the data used are normally distributed, so further data analysis can be carried out

**Table 3**  
**Multicollinearity Test**

Variabel Penelitian	Tolerance	VIF
Profitability	0,889	1,124
Leverage	0,924	1,083
Company Size	0,961	1,040

Data Source: SPSS Version 29

Based on the results of the analysis in table 2 above, it can be seen that the Tolerance Values for the variables Profitability (X1), Leverage (X2), and Company Size (X3) are respectively 0.889, 0.924, 0.961. Seeing a Tolerance value of more than 0.10 means that there is no multicollinearity.



**Figure 1. Heteroscedasticity test**

Based on the Scatterplot graphic image, you can see a model that is irregular or does not form a pattern, you can see the dots are spread randomly and are scattered both above and below. This can be indicated that there is no heteroscedasticity in the independent variables that have been tested.

**Table 4**  
**Multiple Regression Analysis**

Research variable	B	Std. Error	t hitung	Sig.
Konstanta	-0,789	1,779	0,444	0,659
Profitability	41,410	32,536	1,273	0,208
Leverage	0,414	0,241	1,717	0,092
Company Size	0,130	0,055	2,373	0,021

Data Source: SPSS Version 29

Based on table 3 above, it can be seen that the multiple linear equations in this research are as follows:

$$Y = a + b_1X_1 + X_2b_2 + X_3b_3 + e$$

$$Y = -0,789 + 41,410 (X_1) + 0,414 (X_2) + 0,130 (X_3) + 0,05$$

The following is an explanation of the multiple linear regression equation:

1. The regression coefficient X1 of 0.414 states that for every 1% increase in profitability, the company's value increases by 4,141%.
2. The regression coefficient X2 of 41.410 states that for every 1% increase in leverage, the company's value increases by 41.4%.
3. The regression coefficient X3 of 0.130 states that for every 1% increase in company size, the company's value increases by 13%.

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**Table 5**  
**T Test (Partial)**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.789	1.779		-.444	.659
	Profitability	41.410	32.536	.165	1.273	.208
	Leverage	.414	.241	.219	1.717	.092
	Company Size	.130	.055	.297	2.373	.021
a. Dependent Variable: The value of the company						

Data Source: SPSS Version 29

Based on the significant values from table 4 above, the coefficients table shows a T value of 1.273 which is  $> -0.444$  and a significant value of  $0.208 > 0.05$  so it can be concluded that Profitability (X1) has no effect on company value (Y). From the coefficients table, we get a T value of 1.717 which is greater than  $-0.444$  and a significant value of  $0.092 > 0.05$  so it can be concluded that Leverage (X2) has no effect on company value (Y). From the coefficients table, we get a T value of 2.373 which is greater than  $-0.444$  and a significant value of  $0.021 < 0.05$  so it can be concluded that company size (X2) has an effect on company value (Y).

**Table 6**  
**F Test (Simultaneous)**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	29.380	3	9.793	3.535	.020 <sup>b</sup>

Residual	155.144	56	2.770		
Total	184.524	59			
a. Dependent Variable: The value of the company					
b. Predictors: (Constant), Company Size, Leverage, Profitability					

Data Source: SPSS Version 29

Based on table 6 above, it explains the significance of the variables Profitability (X1), Leverage (X2), and Company Size (X3) on Company Value (Y). From the output it can be seen that F count = 3.535 with a significant level or profitability of  $0.020 < 0.05$ , so the regression model can be used to test variables or in other words the variables Profitability (X1), Leverage (X2), and Company Size (X3 influence the value Company (Y).

**Table 7**  
**Coefficient of Determination**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.399 <sup>a</sup>	.159	.114	1.66446
a. Predictors: (Constant), Company Size, Leverage, Profitability				

Data Source: SPSS Version 29

Based on table 7 above, it can be seen that the value (R) is 0.399. To determine the magnitude of the variation, the coefficient of determination R square is 0.159, which means that the variables Profitability (X1), Leverage (X2), Company Size (X3) and Company Value (Y) are 15.9%. There are 84.1% other influencing factors that are not yet known.

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## **DISCUSSION**

### **Discussion of the results of testing the Profitability variable on the value of banking sector companies that go public on the Indonesian Stock Exchange for the 2020-2022 period**

Based on the research results, it can be seen that the Profitability (ROA) variable has no effect on Company Value in the banking sector that goes public on the Indonesia Stock Exchange (BEI) for the 2020-2022 period which is calculated over 60 quarters. This can be shown in the Profitability (ROA) value, namely 0.208, which is greater than 0.05. So it can be concluded that the Profitability variable in this research has no influence on Company Value.

The results of this research are in line with research conducted by Wilyandi et al (2023) and research conducted by Pribadi (2018) that Profitability (ROA) has no effect on company value.

### **Discussion of the results of testing the Leverage variable on the value of banking sector companies that go public on the Indonesian Stock Exchange for the 2020-2022 period**

Based on the research results, it can be seen that the Leverage (DER) variable has no effect on the value of companies in the banking sector that go public on the Indonesia Stock Exchange (BEI) for the 2020-2022 period which is calculated over 60 quarters. This can be shown in the Leverage (DER) value, namely 0.092 which is greater than 0.05. So it can be concluded that the Leverage variable in this research has no influence on Company Value.

The results of this research are in line with research conducted by Wilyandi et al (2023) and research conducted by Apriantini (2022) that Leverage (DER) has no effect on Company Value.

### **Discussion of the results of testing the Company Size variable on the value of banking sector companies that go public on the Indonesian Stock Exchange for the 2020-2022 period**

Based on the research results, it can be seen that the Company Size variable influences the value of companies in the banking sector that go public on the Indonesia Stock Exchange (BEI) for the 2020-2022 period, which is calculated over 60 quarters.



This can be shown in the Company Size value, namely 0.021, which is smaller  $<0.05$ . So it can be concluded that the Company Size variable influences Company Value.

The results of this research are in line with research conducted by Dunnas et al (2020) and research conducted by Nasution (2020) that company size influences company value.

## **CONCLUSION**

1. Profitability (ROA) has no effect on company value in the banking sector that goes public on the Indonesia Stock Exchange (BEI) for the 2020-2022 period.
2. Leverage (DER) has no effect on the value of companies in the banking sector that go public on the Indonesia Stock Exchange (BEI) for the 2020-2022 period.
3. Company size influences the value of companies in the banking sector that go public on the Indonesia Stock Exchange (BEI) for the 2020-2022 period.

## **SUGGESTION**

1. It is hoped that banking sector management will pay more attention to banking profitability in an effort to improve company performance which will later create high profitability in order to increase company value.
2. It is hoped that Banking sector management can improve their capabilities in an effort to maintain the quality of their capital by establishing good relationships with shareholders and increasing profit/loss so that Banking Leverage capabilities can be said to be good.
3. It is hoped that the management of the banking sector will further increase the percentage of company size, so that the larger the company size, the greater the assets owned by the company and the increase in company value which can be indicated by the company's total assets increasing.

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