

Vol. 3 • No. 3 • April 2025

Page (Hal.) : 219 – 225

ISSN (online) : 2963-5896

ISSN (print) : 2964-0482

DOI No : 10.70001/idea.v3i3.314

Website : <https://ojs.ideanusa.com/index.php/idea>

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Analysis of the Influence of Company Size, Profitability, Capital Structure and Stock Price on Company Value

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Abstract : This study aims to determine the effect of Company Size, Profitability, Capital Structure and Stock Price on Company Value. The population in this study were LQ45 Index companies listed on the Indonesia Stock Exchange in 2014-2018, sample selection using purposive sampling technique, from 45 samples 21 companies were selected as samples. The analysis used was panel data regression analysis. The test results showed that Company Size had a negative and significant effect on Company Value, Return On Assets (ROA) had a positive and significant effect on company value, Net Profit Margin (NPM) and Earning Per Share (EPS) had a negative and significant effect on company value, Debt to Asset Ratio (DAR) and Debt to Equity Ratio (DER) did not have a significant effect on company value, stock price had a positive and significant effect on company value. High stock prices indicate that the company is able to provide welfare for shareholders, so that many investors are willing to buy shares of the company and will increase the value of the company.

Keywords: Company Size; Profitability; Capital Structure; Stock Price; Company Value

A. INTRODUCTION

The current business world competition has caused the economy in Indonesia to grow and increase rapidly. As a result, companies must compete with other companies by developing for market expansion so that the company can maintain the company's survival and increase the company's value. Companies require very large capital needs, in order to meet the company's goals. Fulfillment of company funds is one of the problems for the company and requires large investments, because it is directly related to several parties, namely shareholders, creditors, and company management (Zuraida, 2019). The high and low

value of the company is reflected in the good and bad financial statements that have been published by the company each year, so investors need to pay attention to the company information contained in the financial statements. Meanwhile, for companies, in accordance with FASB no. 1, namely financial reports must be useful for parties who have a direct interest in the company, the financial statements must be able to help investors and creditors to interpret the company's condition (Mindra and Erawati, 2014). In addition, the company's value can also be seen from capital gains, by assessing how much capital gain the company can generate. With a high level of capital gain, it will also have a high value on the company's value. (Susilawati, 2020).

In 2018, stocks in the LQ45 Index fell by more than 35% over the last three quarters. The decline in shares was due to stock market sentiment that was less supportive of the performance of the shares. Among them are shares of PT Pembangunan Perumahan (Persero) Tbk (PTPP), where over nine months the share price fell 42.05% to Rp1,530/share. The construction sector has been under pressure this year, as reflected in the decline in the sector's index by 12.17%. Issuers of the construction sector of State-Owned Enterprises (BUMN), which had received negative sentiment from investors. Due to the high increase in debt in working on infrastructure projects. There are concerns that the increase in the burden will increase the financial burden of issuers from this sector (Saragih, 2018).

The policies implemented by company managers in increasing the value of the company can affect their position in the LQ45 index. As happened in 2017, the company PT. Alam Sutera Realty Tbk (ASRI), PT. Elnusa Tbk (ELSA) and PT. Charoen Pokphand Indonesia Tbk (CPIN) were removed from the LQ45 index. This was due to the company's performance experiencing a decline in revenue generated and causing investors to withdraw from the three companies. In 2017, ELSA's revenue only increased slightly by 5.3% compared to the previous year, while CPIN and ASRI experienced a decrease in net profit of 17.9% and 16.7%. With this decline in performance, company managers are expected to be able to make the right decisions in managing their companies well so that they can increase company revenue and improve the value of their companies so that they remain the companies desired by investors (Vistika, 2017). In Indonesia, research that examines the Influence of Company Size, Profitability, Capital Structure and Stock Price on Company Value in LQ45 Companies listed on the Indonesia Stock Exchange and produces different conclusions such as research conducted by Rudangga & Sudiarta (2016) stating that company size has a positive and significant effect on company value and research conducted by Maulitia (2018) stating that company size has a negative and significant effect on company value. Research conducted by Nisa (2017) and Mudjijah et al.; (2019) stated that Return On Assets (ROA) has a positive and significant effect on company value and research conducted by Harsiatur (2019) stated that Return On Assets (ROA) does not have a significant effect on company value. Research conducted by Dewanto et al.; (2019) stated that Net Profit Margin (NPM) has a positive and significant effect on company value and research conducted by Atmojo & Susilowati (2019) stated that Net Profit Margin (NPM) has a negative and significant effect on company value. Research conducted by Innfisah et al.; (2019) stated that Earning Per Share (EPS) has a positive and significant effect on company value and research conducted by Dani (2015) stated that Earning Per Share (EPS) has a negative and significant effect on company value. Research conducted by Utami (2019) stated that Debt to Assets Ratio (DAR) has a positive and significant effect on company value and research conducted by Permatasari & Azizah (2018) stated that Debt to Assets Ratio (DAR) does not have a significant effect on company value. Research conducted by Yulianto (2018) stated that Debt to Equity Ratio (DER) has a positive and significant effect on company value and research conducted by Anggara et al.; (2019) stated that Debt to Equity Ratio (DER) does not have a significant effect on company value.

Research conducted by Darmawan (2013) stated that Stock Price has a positive and significant effect on company value and research conducted by Hamidah et al.; (2017) stated that Stock Price does not have a significant effect on company value.

Based on this background, previous research still produces many differences. This study aims to test and find empirical evidence regarding the effect of company size, profitability, capital structure and stock price on company value in LQ45 Companies listed on the Indonesia Stock Exchange.

B. LITERATURE REVIEW

Agency theory is related to the value of the company because of the conflict between the agent (company management) and the company's shareholders known as the principal. Agency theory assumes that all individuals act on their own will. Shareholders as principals are assumed to be only interested in financial results such as increased dividend distribution. While managers as agents are expected to obtain satisfaction such as high financial compensation and the terms and conditions that accompany the relationship. The existence of this difference in interest is what causes conflict between the owner (principal) and manager (agent) (Sudiyatno, 2010). Signaling theory explains that companies must disclose financial reports to external parties. Companies are encouraged to disclose financial reports because there is information between external parties and internal parties of the company because the internal parties of the company are more related to external companies. Information obtained from external parties must be taken from investments from external parties (Rangkuti et al; 2020). All investors need information to evaluate the performance and risk level of each company so that investors can diversify their portfolios and combine investments with the desired risk preferences. If a company wants its shares to be purchased, the company must disclose financial reports transparently and openly. This theory was put forward by Myers who stated that "a company will be in debt up to a certain level of debt, where the tax shields from additional debt are equal to the cost of financial distress. The trade-off model states that a company's capital structure is the result of a trade-off between the tax benefits of using debt and the costs that arise as a result of using the debt (Dewi and Wirajaya, 2013).

Company value is an investor's view of the level of success of a company which is always associated with stock prices. Soaring stock prices have an impact on high company value, and increase market confidence not only in the company's current performance but also in the company's future prospects. Maximizing company value is very important for companies, because maximizing company value will maximize the welfare of company owners (Rangkuti et al; 2020). In this study, company value is measured using the Tobin's Q ratio. According to Hasibuan et al; (2016) Tobin's Q is a comparison between market value plus total debt to total assets. The formula is as follows:

$$Tobin's\ Q = \frac{MVE + Debt}{TA}$$

According to Haryadi (2016), company size has a different effect on company value. This is the scale of the company. Judging from the total assets owned by the company and can be used for company operations, if the company has large total assets, management is freer to use the assets available in the company. Company size is a picture of the size of a company if the size of the company is large it will be easier to obtain loans from external parties either in the form of share capital or debt. Because large companies have very good advantages in the eyes of the public (Hermawan, 2019). Company size is formulated:

$$Size = \ln(\text{total asset})$$

One of the benchmarks in a company is profitability. Profitability in a company shows the company's ability to generate profits for a certain period (Margaretha et al; 2019). Analysis of profitability is very important for creditors and equity investors. The measurement of profitability ratios in this study is the ratio of return on assets (ROA), Net Profit Margin (NPM) and Earning Per Share (EPS).

According to Kasmir (2014:126) Return on Assets (ROA) is the taking of assets to determine the amount of net income generated from the company's assets by connecting net income to total assets. Return On Assets also describes the ability to generate profits from the assets used. The higher the Return On Assets, the higher the profit generated by the company. The calculation is as follows:

$$\text{Return on Assets} = \frac{\text{Laba Bersih}}{\text{Total Aset}} \times$$

According to Kasmir (2014:122), Net Profit Margin (NPM) is the ratio between net profit, which is sales after being reduced by all expenses including taxes, compared to sales. Net Profit Margin can be said to be good depending on which industry the company operates in. The higher the Net Profit Margin level, the better the company's operating level. The formula that can be used is as follows:

$$\text{Net Profit Margin} = \frac{\text{Laba bersih setelah pajak}}{\text{Penjualan}} \times$$

The measure of the company's greatness in generating profits to generate profits per share of the owner is Earning Per Share or profit per share. The formula is as follows:

$$\text{Earning Per Share} = \text{EAT} / (\text{Jumlah Lembar Saham})$$

Capital structure is a comparison of a company's long-term funding shown from the comparison of long-term debt to equity. Fulfillment of the company's funding needs from equity sources comes from share capital, retained earnings, and reserves. Measurement of the capital structure ratio in this study is the Debt to Assets Ratio (DAR) and Debt to Equity Ratio (DER). Debt to Assets Ratio (DAR) is a debt ratio used to calculate how much of a company's assets are financed by debt or how much the company's debt influences asset management.

Debt to Equity Ratio (DER) is a ratio used to assess debt with equity. To find this ratio by comparing all debts, including debt with all equity. This ratio is useful for knowing the amount of funds provided by borrowers (creditors) with company owners.

According to Darmadji & Fakhrudin (2012:102), Stock price is the price that occurs on the stock exchange at a certain time. Stock prices can change up or down in a short period of time. Based on this understanding, it can be concluded that stock price is the price of a piece of paper that is traded on the capital market, where the price will not be consistent, according to market demand and supply. Stock prices are seen at the Closing Price.

C. RESEARCH METHODOLOGY

The study was conducted on LQ45 index companies listed on the Indonesia Stock Exchange for the 2014-2018 period, with the sampling technique using purposive sampling, which means that the sample units contacted are adjusted to certain criteria. The sample criteria categorized in this study include:

LQ45 index companies listed on the Indonesia Stock Exchange (IDX) during the 2014-2018 period.

Companies that have never been delisted from the Indonesia Stock Exchange (IDX) during 2014-2018.

Companies that publish financial statements in rupiah.

The availability of complete company financial statements during 2014-2018

In this study, the following equation can be formed:

$$\text{Tobin's Q} = \alpha_0 + \beta_1 \text{Size} + \beta_2 \text{ROA} + \beta_3 \text{NPM} + \beta_4 \text{EPS} + \beta_5 \text{DAR} + \beta_6 \text{DER} + \beta_7 \text{CP} + e$$

Where:

Tobin's Q = Company Value

α = Constant value (alpha)

β = Regression coefficient
 Size = Company Size
 ROA = Return On Assets
 NPM = Net Profit Margin
 EPS = Earning Per Share
 DAR = Debt to Assets Ratio
 DER = Debt to Equity Ratio
 CP = Closing Price (Stock Price)
 e = Standard Error

D. RESULTS AND DISCUSSION

Table 1 T Statistics

Variabel	Coefficient	Std Error	t-Statistic	Probabilitas
(Constant)	16.07375	2.752401	5.839900	0.0000
Size	-0.459242	0.086871	-5.286479	0.0000
ROA	0.100736	0.014106	7.141577	0.0000
NPM	-0.015781	0.006183	-2.552083	0.0127
EPS	-0.000877	0.000160	-5.467352	0.0000
DAR	-0.002348	0.006595	-0.356020	0.7228
DER	0.001350	0.000795	1.699703	0.0932
CP	8.73E-05	8.34E-06	10.46958	0.0000

The constant value of 16.07375 indicates that if the company size, Return On Assets (ROA), Net Profit Margin (NPM), Earning Per Share (EPS), Debt to Assets Ratio (DAR), Debt to Equity Ratio (DER) and stock price are equal to zero (0) then the Company Value is 16.07375. The Company Size coefficient value of -0.46 means that if the Company Size increases by one unit assuming other variables remain constant, it will decrease the Company Value by 0.46. The Return On Assets (ROA) coefficient value of 0.10 means that if the Return On Assets (ROA) increases by one unit assuming other variables remain constant, the Company Value will increase by 0.10. The Net Profit Margin (NPM) coefficient value of -0.02 means that if the Net Profit Margin (NPM) increases by one unit assuming other variables remain constant, it will decrease the Company Value by 0.02. The Earning Per Share (EPS) coefficient value of -0.08 means that if the Earning Per Share (EPS) increases by one unit assuming other variables remain constant, it will decrease the Company's Value by 0.08. The Debt to Assets Ratio (DAR) coefficient value of -0.02 means that if the Debt to Assets Ratio (DAR) increases by one unit assuming other variables remain constant, it will decrease the Company's Value by 0.02. The Debt to Equity Ratio (DER) coefficient value of 0.01 means that if the Debt to Equity Ratio (DER) increases by one unit assuming other variables remain constant, the Company's Value will increase by 0.01. The Stock Price coefficient value of 8.73 means that if the Stock Price increases by one unit assuming other variables remain constant, the Company's Value will increase by 8.73. The results of the t-test are as follows:

Company Size on Company Value has a Tcount result of -5.286479 with a significance level of 0.0000. This shows that Tcount is greater than Ttable, namely with a value of -5.286479 > 1.9847 with a significant value of 0.0000 < 0.05. So that H₀ is successfully rejected and H_a is accepted, it can be concluded that Company Size has a negative and significant effect on Company Value. These results are in line with research conducted by Maulitia (2018) and Hardinis (2019). From the results above, it can be interpreted that the higher the company size, the lower the company value, and vice versa, the lower the company size, the higher the company value. Company size calculated from the measurement of high total assets has a

direct effect on company value. This can be seen every year the total assets and value of the company fluctuate up and down. Based on agency theory, large company sizes will incur higher agency costs. Various costs that arise will affect the company's profitability so that dividends (retained earnings) that can be received by investors will decrease. So that it will cause a decrease in the company's value. Return On Assets (ROA) on Company Value has a Tcount result of 7.141577 with a significance level of 0.0000. This shows that Tcount is greater than Ttable, namely with a value of $7.141577 > 1.9847$ with a significant value of $0.0000 < 0.05$. So that H_0 is successfully rejected and H_a is accepted, it can be concluded that Return On Assets (ROA) has a positive and significant effect on Company Value. These results are in line with research conducted by Nisa (2017) and Mudjijah et al.; (2019). From the results above, it can be interpreted that the higher the Return On Assets (ROA) produced, the higher the company's value, and vice versa, the lower the Return On Assets (ROA) will decrease the company's value. This shows the high value of Return On Assets (ROA) then the company has been able to optimize its assets to generate profits and show that the company is able to increase prosperity for shareholders. High Return On Assets (ROA) will attract investors to invest their funds in companies that have good financial conditions, so that the company's value increases. Based on signaling theory, a company must disclose financial reports to external parties, this information is intended to maintain investor interest so that there is no information asymmetry between the company and outside the company (Brigham and Houston, 2011:186). The delivery of information regarding high and stable Return On Assets (ROA) will be a positive signal for investors and can increase the value of a company. Net Profit Margin (NPM) against Company Value has a Tcount result of -2.552083 with a significance level of 0.0127. This shows that Tcount is greater than Ttable, namely with a value of $-2.552083 > 1.9847$ with a significant value of $0.0127 < 0.05$. So that H_0 is successfully rejected and H_a is accepted, it can be concluded that the Net Profit Margin (NPM).

E. CONCLUSIONS AND SUGGESTIONS

Company Size has a negative and significant effect on Company Value in LQ45 companies listed on the Indonesia Stock Exchange in 2014-2018, meaning that the larger the size of a company, the lower the company's value.

Profitability is measured by Return On assets which has a positive and significant effect on Company Value in the company. In this case, the higher the profit or benefit can increase the value of the company. High Return On assets (ROA) will provide a positive signal for investors, and also indicate that the company is producing profitable conditions. Net Profit Margin (NPM) has a negative and significant effect on Company Value, meaning that the higher the Net Profit Margin (NPM) value will decrease the company's value. Earning Per Share (EPS) has a negative and significant effect on Company Value, meaning that the higher the Earning Per Share (EPS) value will decrease the company's value.

Capital Structure as measured using Debt to Assets Ratio (DAR) does not have a significant effect on Company Value, meaning that Debt to Assets Ratio (DAR) cannot explain the influence on company value. Debt to Equity Ratio (DER) does not have a significant effect on Company Value in LQ45 companies listed on the Indonesia Stock Exchange (IDX) in 2014-2018, it can be interpreted that Debt to Equity Ratio (DER) cannot explain the influence on company value.

Stock Price has a positive and significant effect on Company Value in LQ45 companies listed on the Indonesia Stock Exchange (IDX) in 2014-2018, it can be interpreted that the higher the stock price, the higher the company value.

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