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Factors Affecting the Value of Non-Financial Companies in Indonesia Stock Exchange

Vita Vanessa Angelina Sungkar[1], Debora Debora[1]*

[1]*Trisakti School of Management, Jl. Kyai Tapa No. 20. Grogol, Jakarta-Barat*
**Corresponding author Email: debora@stietrisakti.ac.id*

ABSTRACT
The purpose of this research was to analyze the factors that influence firm value. The independent variables are liquidity, profitability, size, activity, managerial ownership, institutional ownership, company growth and capital structure. The samples used in this research came from all non-financial companies listed in Indonesia Stock Exchange (IDX) consistently from 2016 to 2018. The sample selection method used was the purposive-sampling, in which there were 98 companies that fulfilled the criteria, which resulted in 294 data taken as the samples. Data was analyzed using multiple regression method. The result of this research shows that profitability and capital structure have a significant effect on firm value. Meanwhile, liquidity, size, activity, managerial ownership, institutional ownership, and profit growth have no effect on firm value.
Keywords: *Firm value, profitability, capital structure, liquidity, size, activity, managerial ownership, institutional ownership, profit growth*

1. INTRODUCTION

Every company has a goal for the welfare of shareholders through the company's value as reflected in the company's share price. Investors' perceptions of firm value depend on the company's success-rate at the end of the current year, when the company's share price is reflected. This means that the higher price of the company's share will make the company value even higher and vice versa.
A good company will show a good financial performance. According to [17], the company's financial performance can be considered good, if one aspect of the assessment of the company's financial condition can be carried out through the analysis of the company's financial ratios, namely the ratios of liquidity, activity, and profitability that can be achieved by the company in a certain period. Firm value can be defined as market value. Firm value can be calculated using Price-to-Book Value (PBV). Price-to-Book Value (PBV) is a ratio that compares market stock price and book-value per share [9]. The research to be carried out is a replication of [19]. What distinguishes this research from previous research is about the research period, the independent variables, and the sample that will be used in this research.

1.1 Agency Theory

In agency theory, agency relations can occur when more than one person employs another person to provide a service and then entrusts the decision-making authority [11]. According to [11], agency costs are divided into three components, namely monitoring costs, bonding costs, and residual loss.

According to [7], monitoring costs are the costs incurred to monitor the agent's behavior. These costs include the costs to measure, observe, and control the agent's behavior. Bonding costs are the costs to establish and comply with a mechanism that will ensure that management or agents will behave in accordance with the principal's interests or mechanisms that will ensure the agent will compensate the principal, if the agent acts against the principal's interests.

1.2 Signalling Theory

The signaling theory explains that managers who expect a high level of company growth will provide a signal to investors through the accounts in financial reports showing that the company is in good shape. Companies can provide signals about its future prospects whether it is good or bad by announcing the accounting information. If the financial information has a good value, investors will consider it as good news so that they are interested in buying the company's shares, and vice versa, if the financial information shows a bad judgment, investors will consider it as bad news.
The positive signal that will be captured by investors as good news is that if the company can always pay dividends, thus it will be a positive signal, because high dividend payments reflect the high level of profitability of the company.

2. RESEARCH METHOD

This research was conducted among non-financial companies listed in the Indonesia Stock Exchange (IDX) from 2016 to 2018. The sample selection technique for the

population consisting of non-financial companies in this research was the purposive-sampling method.

2.1. Operational Definition and Variable Measurement

The dependent variable in this study is firm value, while the independent variables are liquidity, profitability, size, activity, managerial ownership, institutional ownership, company growth, and capital structure. This research was a replication from [19], but only took a few independent variables, such as liquidity, profitability, size, and activity. However, this research also added other variables, namely managerial ownership, institutional ownership, company growth and capital structure [16].

This research was expected to be able to provide theoretical and analytical benefits from this problem. The benefits that were expected to be received by various parties are as follows:

1. The next researcher
   Providing knowledge about the value of the company to researchers so that they can conduct the research with different variables, in order to obtain a new, better, and broader understanding.
2. Company
   The results of this research are expected to provide benefits to the company in trying to increase its value in order to achieve maximum profit and to be able to compete with other companies.
3. Potential investors
   Provide an overview of the annual financial statements as a reference for making investment decisions.

2.1.1. Firm Value

Firm value is an indicator for investors to see the company's performance before deciding to invest in the company. Firm value in this study uses a ratio-scale which is proxied by Price-to-Book Value (PBV) [19]. PBV shows how far a company is able to generate value in relation to the amount of invested capital [10]. The PBV formula is calculated based on the research by [9] as follow:

$$\text{PBV} = \frac{\text{Market Value of Shares}}{\text{Book Value per Share}}$$

Meanwhile, the book-value per share is calculated using the formula from [6], as follow:

$$\text{BV per Share} = \frac{\text{Total Common Stock Capital}}{\text{Number of Common Shares}}$$

2.1.2. Liquidity

Liquidity in this study uses a ratio-scale that uses a proxy of current ratio. The current ratio is used to determine the company's ability to meet its short-term liabilities by using the current assets of the company [14]. The current ratio formula is calculated using the formula according to [6] as follow:

$$\textit{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

2.1.3. Profitability

Profitability uses a ratio-scale and the measurement is proxied by Return-on-Assets (ROA) which is a comparison of profit after-tax with total assets to find out the company's ability to earn profits by utilizing the company's assets. Return-on-Assets (ROA) is calculated using the formula according to [15] as follow:

$$\textit{ROA} = \frac{\text{Net Profit After Tax}}{\text{Total Assets}}$$

2.1.4. Size

The calculation of the company size uses the Log of Total Asset with a ratio-scale and the measurement is based on the research by [19], which is formulated as follow:
Size = Log of Total Asset

2.1.5. Activities

Activities that are low at sales level will certainly result in higher excess funds being placed in assets. To calculate these activities, we used the formula of Total Asset Turnover (TATO) ratio according to [1], as follow:

$$\text{TATO} = \frac{\text{Sales}}{\text{Total Asset}}$$

2.1.6. Managerial Ownership

Managerial Ownership (MO) is the ownership of share owned by parties who actively participate in making decisions such as directors, management, and commissioners. The managerial ownership formula according to [16] is:

$$\textit{MO} = \frac{\text{Managerial Share Ownership}}{\text{Total Circulated Share}} \times 100\%$$

2.1.7. Institutional Ownership

Institutional Ownership (IO) is the shares in a company owned by institutional investors. The institutional investors include insurance companies, banks, investment

companies, and other shareholdings. The formula used to calculate Institutional Ownership [16] is:

$$IO = \frac{\text{Institutional Ownership}}{\text{Total Circulated Share}} \times 100\%$$

2.1.8. Growth

Company growth is the growth assessed from company sales data in order to calculate the company's growth-rate from year to year. To look for profit in the company growth, the Profit Growth formula according to [16] is as follow:

$$\textit{Profit Growth} = \frac{\text{Net Income (t)} - \text{Net Income (t-1)}}{\text{Net Income}}$$

2.1.9. Capital Structure

Capital structure is a financing option between debt and equity. According to [16], the capital structure can be examined using the Debt-to-Equity Ratio (DER) formula.

$$DER = \frac{\text{Total Debt}}{\text{Total Equity}} \times 100\%$$

2.2 Hypotheses

Based on the research model above, the hypotheses were developed as follows:
H_1: Liquidity significantly affects firm value.
H_2: Profitability significantly affects firm value.
H_3: Size significantly affects firm value.
H_4: Activity significantly affects firm value.
H_5: Managerial ownership significantly affects firm value.
H_6: Institutional ownership significantly affects firm value.
H_7: Company growth significantly affects firm value.
H_8: Capital structure significantly affects firm value.

3. RESULTS

The data used in this study are non-financial companies listed in the Indonesia Stock Exchange (IDX) from the year 2016 to 2018. The data collected in this study was 98 companies according to the predetermined criteria.

Table 1 Descriptive Statistics

Variabel	*N*	*Minimum*	*Maximum*	*Mean*	*Std. Deviation*
PBV	294	0,161	82,444	2,787	6,843
Likuidity	294	0,316	42,342	2,674	3,327
Profitability	294	0,000	0,467	0,071	0,068
Size	294	10,670	14,537	12,613	0,719
Activity	294	0,012	6,136	0,930	0,773
Managerial Ownership	294	0,000	0,656	0,065	0,107
Institutional Ownership	294	0,051	74,728	1,466	7,332
Growth	294	-11,437	0,998	-0,145	1,298
Capital Structure	294	0,074	13,543	1,109	1,211

Source: Data Analysis using SPSS

Based on the result of the normality test on residual data, it is known that the Asymptotic Significance is 0.000 (less than 0.05). Hence, the data was not normally distributed, so it is necessary to perform an outlier test.
Based on the result of the residual normality test, which stated that the data was not normally distributed, the data normality test was carried out after the outliers. The data in this outlier test must be between the z-score above 3 and below -3. If the data is above or below the z-score, it is excluded from the research sample. After testing the outliers, there were 4 data that had a z-score above 3 and below -3, so there were 290 data remaining from 294 data originally. From the outlier-test result, it is known that the Asymptotic Significance is 0.000 (less than 0.05), hence the data was still not normally distributed, therefore further testing used the original data, namely 294 company data.
Based on the multicollinearity-test result, which can be seen, all variables have a tolerance value greater than 0.1 and VIF lower than 10. Hence, all variables do not experience multicollinearity.
Based on the result of the auto-correlation test using the Lagrange Multiplier method, the Sig-value is 0.310 (greater than 0.05). In this case, it can be concluded that there is no auto-correlation in this research.
Based on the result of the heteroscedasticity test, it can be concluded that the variables of liquidity, activity, managerial ownership, institutional ownership, and company growth have a significance value equal to 0.05. Thus, it can be concluded that heteroscedasticity does not occur and the data is good for use in this research. Meanwhile, the variables of profitability, size, and capital structure have a significance value less than 0.05. Thus, in the variables of profitability, size, and capital structure, heteroscedasticity occurs.
Based on the result of the correlation-coefficient test between variables, the R-value of 0.698 is greater than 0.5. In this case, the correlation between the independent variables and the dependent variable is strong.
Based on the result of CD test, the value of Adjusted R^2 is 0.473 or 47.3%. This shows that the variation in the dependent variable that can be explained by the independent variables is 47.3%, while the remaining 52.7% is explained by the variations in other independent variables that are not included in the regression model.
Based on the result of F-test, the value of Sig. 0.000 is less than 0.05. This shows that the model is fit and fit-for-use in this research.

Table 2 F-Test Result

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	6683,583	8	835,448	33,843	0,000[b]
Residual	7035,404	285	24,686		
Total	13718,987	293			

Source: Data Analysis using SPSS

According to the results of t-test, the significance value of the liquidity variable is 0.369 (greater than 0.05). This

means that H_1 was not accepted. So, the liquidity variable does not affect firm value.
The sig-value of the profitability variable is 0.000 (less than 0.05). This means that H_2 was accepted. Therefore, the profitability variable significantly influences firm value.
The sig-value of the size variable is 0.247, which is greater than 0.05. This means that H_3 was not accepted. Therefore, the size variable does not affect firm value.
The sig-value of the activity variable is 0.240 (greater than 0.05). This means that H_4 was not accepted. Therefore, the activity variable has no influence on firm value.
The sig-value of managerial ownership is 0.924 (greater than 0.05). This means that H_5 was not accepted. Hence, the managerial ownership variable does not affect firm value.
The sig-value of institutional ownership is 0.924, which is greater than 0.05. This means that H_6 was not accepted. Hence, the institutional ownership does not affect firm value.
The sig-value of company growth (0.076) is greater than alpha (0.05). This means that H_7 was not accepted. Hence, the company growth variable does not affect firm value.
The sig-value of capital structure is 0.000 (less than 0.05). This means that H_8 was accepted. Therefore, it can be concluded that the capital structure variable significantly influences firm value.

Table 3 t-Test Results

Model	B	Sig.	Conclusion
(Constant)	2,381	0,698	
Likuidity	0,085	0,369	Ha_1 Rejected
Profitability	68,756	0,000	Ha_2 Accepted
Size	-0,557	0,247	Ha_3 Rejected
Activity	0,465	0,240	Ha_4 Rejected
Managerial Ownership	0,285	0,924	Ha_5 Rejected
Institutional Ownership	-0,005	0,891	Ha_6 Rejected
Growth	-0,408	0,076	Ha_7 Rejected
Capital Structure	1,655	0,000	Ha_8 Accepted

Source: Data Analysis using SPSS

4. CONCLUSION

Based on the research results, it can be concluded that profitability and capital structure significantly affect firm value. Meanwhile, other variables, namely liquidity, size, activity, managerial ownership, institutional ownership, and company growth do not affect firm value. This research has limitation, namely the research was only conducted using 8 variables, while there are many other variables that can affect firm value. The research was conducted using the data for only 3 years, namely from 2016 to 2018. Furthermore, this research has the data that is not normally-distributed even though the outlier-tests have been carried-out. And then, heteroscedasticity occurs in several variables after performing the classical-assumption test.
Based on the limitation of this research, the recommendation for further research is to extend the research period to acquire more samples, so the results obtained can show the long-term effects. In addition, future researchers can add other independent variables which can also affect the company value, as well as adding more data to overcome the problem regarding the non-normally-distributed data.

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