The Impact of Sales Growth and Profitability on Firm Value During The Covid-19 Pandemic

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Abstract. This study aims to analyze the impact of sales growth and the profitability on the firm value in hotel, restaurant and tourism sub-sector companies listed on the IDX during the covid-19 pandemic. This is a quantitative research and the sample used is purposive sampling. The data is analysing by using panel data regression. The results of this analysis recommend that sales growth has a significant positive effect on the firm value (PBV). Profitability (ROE) has a significant and positive effect on the firm value (PBV). Sales growth and profitability simultaneously have a significant effect on the firm value (PBV).

Keywords: firm value · sales growth · profitability

1 Introduction

An outbreak of Corona Virus Disease 2019 (COVID-19) firstly occurred in Indonesia in 2020 (Juliannisa et al., 2021). In fact, the COVID-19 pandemic has impacted quite considerably not only on the health of the world's population but also on the country's economy. Besides, various industrial sectors such as financial, food beverages, manufacturing and tourism sectors have been affected greatly (Kartikaningsih, 2020). According to Gunawan (2020), the most affected sectors are hotel, restaurant and tourism sub-sectors companies. Based on statistical data from Ministry of Tourism and Creative Economy of the Republic of Indonesia, the number of foreign tourist arrivals in March 2020 experienced a sharp decline of 64.11% compared to March 2019 (Atahau & Sakti, 2020).

The hemorrhage experienced by companies is in fact the impact of government's policies such as social distancing and Large-Scale Social Restrictions which have resulted in a decrease in the number of tourists both from within and outside the country. In addition to the decline in the number of tourists, both domestic and foreign, the existence of operational restrictions on certain business sectors has forced hotels and other places to temporarily close their businesses. The government also issued a regulation banning eating in restaurants so that people can only rely on take away food, and food purchases can be done through online applications. The abovementioned policies issued by government to deal with the spread of COVID-19 virus have an impact on losses experienced by hotels, restaurant and tourism sub-sector companies as well as on a decline in companies' performances.

Firm value is one indicator of financial performance due to the fact that high firm value indicates prosperity for shareholders (Sondank, 2019). Besides, it is important for the investors to know when they want to put their money in shares or in a firm (Gurnita et al., 2021). As a matter of fact, the firm value is reflected in the company's stock price meaning that the higher of the stock price, the higher of value of the firm and indicating that firm has a very good performance (Fauziah & Rafiqoh, 2021). Therefore, stock prices can provide a positive signal from investors to managers (Brealey, 2006). According to Sudana (2015), maximizing the firm value is considered as the company's goal because by maximizing it the company has maximized the present value of the overall profits obtained by shareholders for the future. If the company's value decreases, the stock market price will also decrease and vice versa.

During the COVID-19 pandemic, stock prices tend to decline. Low stock prices can be an opportunity for investors who will invest because of the low purchase price. However, not all investors in Indonesia are willing to invest in stocks with declining the financial attainment. If the sectors of hotel, restaurant and tourism industry sectors have a declining financial performance, it will also have a bad impact on firm value as measured by the share price of each firm in the sector. In this study, firm value was proxied using Price to Book Value (PBV). The PBV ratio shows how much the firm's ability to create value which is relative to the amount of capital invested in the company (Nurhayati, 2013).

The declining of company's value can be affected by several factors and one of which is a decrease in sales or in company revenue. According to Helfert in Paminto et al., (2016), growth is the impact resulting from changes in cash flow from the firm's operational activities due to the incline or decline in sales. Growth is an increase or also decrease in the total assets or sales experienced by the company in one period (Hestinoviana, 2013). Additionally, Brigham et al., (2001) explain that sales growth is the level of stability in the number of sales made by the company for each period. In fact, sales growth is a ratio that reflects the company's sales growth ability from time to time (Harahap, 2010:3019).

Moreover, Nugroho & Halik (2021) state that when sales growth increases, the company's profitability will increase as well. According to Tamrin et al., (2018), profitability is the firm's ability to make a profit at a certain amount of assets, capital and sales. Meanwhile, profitability ratio is a ratio that measures the level of overall management effectiveness which is designated by the profit obtained in relation to the amount investment and sales (Fahmi, 2018). Furthermore, Harahap (2010:304) enunciates that the profitability ratio is the company's ability in an effort to earn profits from extracting resources such as number of branches, cash, capital, sales, number of employees and others based on certain measurement bases. Hence, profitability is a fairly important variable in the firms because through profitability a decision will be made on the profits received by the company, whether the profits will be distributed into retained earnings or in the form of dividends to be distributed to the company's shareholders (Putra, A. N. D. A & Lestari, 2016).

In this study, profitability is proxied into Return on Equity (ROE) since ROE has the strongest relationship or linkage when it is associated with the PBV variable which is an indicator of firm value (Purnama, 2016). The increase in ROE value in the company

will commonly be followed by an increase in the share price of the company. According to Brigham et al., (2001:91), ROE ratio is the ratio of net income to equity of common stock and to measure the return on investment of stockholders. Besides, ROE can also show how much return investors will receive on the capital invested in the company. The higher the ROE is, the better the position of the company owner and the ability to own capital to benefit shareholders will be so that it will increase the company's share price (Fakhrudin, 2001).

During the COVID-19 pandemic, the ROE value of the hotel, restaurant and tourism sub-sector companies decreased a lot which indicates that the company was less effective in generating net profit when measured by owner's capital. The decline in the value of ROE that occurs will also make the rate of return received by investors lower. Besides, if the company can provide more profits to shareholders, the demands for the company's shares also increase which will affect the share price.

In regard to abovementioned explanation, this paper aims to analyze the contribution of sales growth and profitability to firm value during the COVID-19 pandemic especially in the sub-sector of hotels, restaurants and tourism companies listed on the Indonesia Stock Exchange.

2 Method

This study employed a causative approach in which this approach is predictable (Sanusi, 2011). Meanwhile Kuncoro (2011:14) states that the causative approach analyzes how far the estimated factors are able to influence the variables. In addition, the objects of this study were all hotels, restaurants and tourisms, sub-sector companies listed on the Indonesia Stock Exchange during the COVID-19 pandemic. The sample was selected using purposive sampling which was based on some criteria or considerations. (Martono, 2012:79). Here are the criteria in selecting the samples. First, hotel, restaurant and tourism sub-sector companies have issued the complete quarterly financial reports for the 2019–2020 period. Secondly, they did not experience delisting and move during the 2019–2020 period.

The type of data used was quantitative data in which data collection used the documentation method contained in print and electronic media published by the company regarding its financial statement information. Moreover, the data analysis technique used in this study was a panel regression model (Pooled Analysis) which is a combination of cross section data and time series data, where the number of variables is observed over a number of categories and then collected within a predetermined period of time (Gujarati, 2006). In the panel data regression analysis, three approaches were used; (a) Common Effect Model (CEM); (b) Fixed Effect Model (FEM); (c) Random Effect Model (REM). Besides, the classical assumption tests administered were the normality test, multicollinearity test and heteroscedasticity test. Hypothesis testing used partial test (t test) and simultaneous test (F test) were also carried out after conducting classical assumption test. Table 1 is an explanation of the research variables and measuring instruments used.

Table 1. Operational Definition

Variable	Definition	Measurement
Firm Value (Y)	Investors' perception of firm's level of success in managing their resources. Firm value is measured by Price Book Value (PBV).	$PBV = \frac{Market\ Price\ per\ Share}{Book\ value\ per\ share}$
Sales Growth (X1)	The development of the company's sales from time to time which will have an impact on the profits earned by the company. It is Measured using the Growth of Sales formula.	$Growth\ of\ Sales = \frac{S_1 - S_{t-1}}{S_{t-1}} \times 100\%$
Proxibility (X2)	The firm's ability to obtain profit which is obtained from sales and investments made by the company. It is measured by using Return on Equity (ROE).	$ROE = \frac{Earning\ After\ Tax(EAT)}{Shareholders'\ equity}$

3   Findings and Discussion

Based on the predetermined criteria, from the 41 hotel, restaurant and tourism sub-sector companies listed on the IDX during the COVID-19 pandemic, 23 sub-sector companies were selected as the samples.

3.1   Panel Regression Model Estimation

In the panel data regression, there were three models implemented which were the Common Effect Model (CEM), Fixed Effect Model (FEM) and then the Random Effect Model (REM). To select the appropriate model in the regression of panel, the Chow test and Hausman test were administered. For this purpose the Chow test was used to analyse whether the correct CEM or FEM is better to be used, while the Hausman test is used to see whether the correct FEM or REM is used. After the Chow test and Hausman test were carried out, the correct model used in this study was the Fixed Effect Model (FEM).
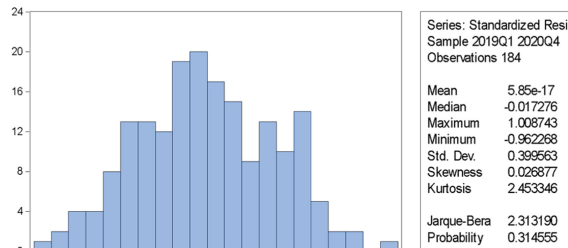
$$LogY = 0,307320 + 0,055987X_{1it} + 1,554307X_{2it} + U_{it}$$

From the regression analysis results, it was found that the constant value was 0.307320 which means that when the independent variables, sales growth and profitability, were constant and did not change, the firm value was 0.307320.

Moreover, the value of the sales growth coefficient was 0.055987 indicating that when sales growth increased by 1%, the company's value would also increase by 0.055987% as long as the other independent variables remained constant. In fact, positive regression implies that the greater the rate of sales growth, the higher the firm value.

3.2 Classical Assumption Test

Normality test aims to find out whether the regression model used is normally distributed or not. If the probability value is greater that 0.05, the data is concluded to be normally distributed. Meanwhile, if the probability value is smaller than 0.05, the data is not has normal distribution (Ekananda, 2015).

Series: Standardized Resi	
Sample 2019Q1 2020Q4	
Observations 184	
Mean	5.85e-17
Median	-0.017276
Maximum	1.008743
Minimum	-0.962268
Std. Dev.	0.399563
Skewness	0.026877
Kurtosis	2.453346
Jarque-Bera	2.313190
Probability	0.314555

Source: Results of Eviews 8, 2021

The results revealed that the probability value which was 0.3145 was greater than alpha value (0.05). It indicates that the data was normally distributed and there was not any problem in regard to normality.

In addition, Multicollinearity test functions to determine the presence or absence of multicollinearity problems. If the correlation coefficient is greater than 0.8, it means that there is a multicollinearity problem, and vice versa (Gujarati, Damodar N. dan Porter, 2013).

From Table 2, it was found that the value of each variable was lower than 0.8. Therefore, it can be concluded that there was no multicollinearity problem in the research model.

Last is Heteroscedasticity test which is done to see the variance inequality of the residuals for all observations of the regression model. In this study, the heteroscedasticity test used the Glejser test to see if there were symptoms of heteroscedasticity or not. If the probability value is greater than the alpha value (prob > 0.05), the model is free from heteroscedasticity problems, and vice versa.

The heteroscedasticity test showed that the probability values were greater than alpha value which were 0.1030 (X^1) and 0.0755 (X^2). Hence, it can be concluded that there was no heteroscedasticity problem.

Table 2. Results of Multicollinearity Test

	X1	**X2**
X1	1.000000	0.033249
X2	0.033249	1.000000

3.3 Hypothesis Testing

Coefficient of Determinant R^2

The determinant coefficient test aims to see how much contribution of the independent variable has in explaining the dependent variable. A high R^2 value does not always indicate the good quality of the model (Winarno, 2019). From the analysis, it was found that the R-squared value was 0.877992 showing that the firm value variable (Y) was contributed by 87.7% by the sales growth variable (X1) and profitability (X2), while for 12.3% was from other variables.

Partial Test (t-Test)

The t-test aims to see the contribution of the independent variable partially on the dependent variable. Based on the results of panel data regression using the FEM, the t-count value for the X^1 variable was greater than the t-table value in which the t-count value was 3.809685, and t-table was 1.72472. Therefore, it clearly shows that there was a significant and also positive relationship between sales growth and firm value. Meanwhile, for the X^2 variable, the t-count value (5.901534) was greater than t-table (1.72472). Similarly, the profitability variable had a positive significant correlation between profitability and the firm value.

Simultaneous Test (F-Test)

Simultaneous test or F-test is used to analyze simultaneous contribution of the independent variables to the dependent variable. Based on the results of panel data regression using the FEM, the calculated F-value was 47.67492, while the F table value was 3.49. Thus, F arithmetic was greater than F table (47.67492 > 3.49) and a probability value of 0.000000 was lower than alpha 0.05; therefore, H0 was rejected and Ha was accepted. In brief, the variables of sales growth and profitability simultaneously had a significant contribution to the firm value.

In addition, findings showed that sales growth partially had a positive significant contribution to firm value during the COVID-19 pandemic. In fact, the decline in sales that occurred during the COVID-19 pandemic resulted in a decrease in firm value in the hotel, restaurant and tourism sub-sector during the COVID-19 pandemic. Similarly, the decline in sales during the COVID-19 pandemic also had an impact on the rate of return received by investors because a decrease in sales has an impact on the losses experienced by the company. Therefore, the rate of return received by the company was smaller in number when compared to the rate of return received before the COVID-19 pandemic.

The results of this study are in line with the findings of Khoeriyah (2020)'s study in which sales growth had a positive significant correlation with the firm value. She also explains that sales growth is one proof that the company is really growing. Additionally, the current study is also consistent with a research conducted by Dewi & Sujana (2019). In this study, they also found the positive relationship between the two variables, sales growth and firm value. The higher the sales growth, the higher the firm value will be and vice versa.

The second hypothesis testing reveal that profitability partially had a positive and significant contribution to firm value. The results of this study prove that low profits in

the firm during the COVID-19 pandemic will give an indication of the company's poor prospects. Low profits during the pandemic make stock prices fall; therefore, the demand for shares for the hotel, restaurant and tourism sub-sector companies also declines, resulting in the decrease of firm value during the COVID-19 pandemic.

This study shares similar findings with previous research conducted by Lubis et al., (2017) who prove that profitability (ROE) has a significant contribution to firm value. This shows that low profitability during the COVID-19 pandemic will give the negative signal to investors that the company is in a bad or unprofitable state. Furthermore, the results are also consistent with research carried out by Gurnita et al., 2021. The result shows that profitability (ROE) has a positive and significant relation with firm value. The low level of profitability during the pandemic reflects the company's ability to make profits which is also low. Firms that have poor financial performance or profitability will make the company's stock price low, and it will have an impact on the rate of return received by investors. Low company profits during the COVID-19 pandemic will give an indication of the company's poor prospects so that it will give a negative response to investors to invest their shares in hotel, restaurant and tourism sub-sector firms, where the demand for shares will decrease and will make the company value from the point of view of the company investors will also fall.

4 Conclusion

Based on the analysis results, it can be concluded that sales growth has a positive and significant contribution to company value in hotel, restaurant and tourism companies listed on the Indonesia Stock Exchange in the COVID-19 pandemic period. This shows that sales growth is directly proportional to the value of the company. When the sales growth increases, the company value will also increase as well, and vice versa. Furthermore, it is also revealed that there is positive and significant correlation between profitability and firm value in the hotels, restaurants and tourism companies. This attests that when a firm succeeds in increasing its profitability, the firm value will also increase, and vice versa.

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