



Factors Influencing Company Value in The Islamic Financial Services Industry in Indonesia

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Abstract. The company's value is shaped by a range of factors, including profitability, leverage, and its overall size. This study primarily centers on the Islamic industry, which includes both Islamic business entities and banks operating in Indonesia. Its aim is to investigate and assess how profitability, leverage, and company size affect corporate value. Data for the research is sourced from secondary materials, specifically the official websites of the Indonesia Stock Exchange (IDX) and the Financial Services Authority (OJK). A purposive sampling method is employed, chosen based on criteria that correspond with the research aims. The research findings indicate that both profitability and company size significantly impact corporate value in Indonesia's Islamic financial services sector during the years 2021-2022. Nevertheless, the impact of leverage on corporate value within the Islamic industry in Indonesia for the period of 2021-2022 is not substantial.

Keywords: Company Value, Profitability, Leverage, Company Size
Introduction

1 Introduction

In this of globalization and sustainability awareness, companies around the world are increasingly recognizing the importance of integrating sustainability values into their business strategies. This is not only a matter of social responsibility but is also directly related to the achievement of long-term goals and company value.

The concept of company value can be seen from various aspects, including financial performance and company size. Hence, information on company value in various sectors is crucial. The global recession has significantly impacted the future growth of the industry. The recent case of the United States, where people are restricting their spending, led to a slowdown in the housing market, causing uncertainty in corporate equities. New home sales and pending sales in the United States hit their lowest point in years in July 2022. In Australia, declining home sales increased recession risks, and a similar situation occurred in London, where house prices stabilized and tended to decrease across most city areas. In China, the property market downturn is testing whether its central bank can maintain minimal stimulus policies [1]. Considering the

recession in these countries, it's possible that this global recession phenomenon will also lead to a decrease in the company value in Indonesia.

The pursuit of increased profitability and corporate value often leads companies to neglect their responsibilities regarding the repercussions of their actions. This negligence gave rise to the concept of Corporate Social Responsibility (CSR), which encourages a heightened sense of accountability in corporate practices. According to the World Business Council for Sustainable Development (WBCSD), Corporate Social Responsibility (CSR) involves a firm commitment from businesses to uphold ethical standards and promote sustainable economic development, ultimately benefiting employees, their families, the local community, and society at large [2].

Several factors can influence a company's value, with profitability being the first factor. Profitability is the company's ability to earn profits from all available sources, such as sales, cash, assets, and equity [3]. In this study, profitability is measured using Return on Equity (ROE). ROE is chosen because it demonstrates how much equity contributes to generating net profit [4]. It's undeniable that the COVID-19 pandemic has significantly impacted profitability, especially for companies. Here is an overview of how effective companies' equity contributions are in generating profit, based on profitability data (ROE)

Based on data from the Indonesian Stock Exchange, the average growth in profitability of companies in Indonesia is in 2019 of 0.49, then fell in 2020 to -2.06 then rose to -0.04 in 2021.

The drastic decline in profitability in 2019 and 2020 is in line with the onset of the Covid-19 pandemic, which decreased the purchasing power of the public in the property and real estate sector. Essentially, a company's profitability affects the number of dividends paid to shareholders. If a company achieves substantial profitability, its ability to pay dividends increases, and this profitability can influence the company's value [5]. Previous research conducted by [6] found that profitability significantly impacts the company value in Vietnam, meaning companies' ability to pay dividends decreases, potentially lowering the company value. However, the data from Indonesia tell a different story. Research by [7] discovered that profitability, proxied by ROE, has a positive and significant influence on the company value on the Indonesia Stock Exchange [7]. This implies that an increase in profitability leads to an increase in the company value. The differences in these previous studies are attributed to the distinct subjects and data sources used.

The second determinant impacting the value of a company is leverage, commonly referred to as solvency or the debt-to-equity ratio (DER). The concept of leverage quantifies the extent to which a company relies on debt for financing. An abundance of debt can pose a threat to a company, categorizing it as experiencing extreme leverage, wherein it grapples with formidable levels of debt that are difficult to alleviate [8]. The study utilizes the Debt-to-Equity Ratio (DER) as a measure of leverage. This ratio reflects a company's capacity to satisfy its debts using its equity and is closely linked to its capital structure. It has the potential to impact appropriate corporate financing strategies aimed at maximizing company value. Ultimately, it can influence the firm's risk profile and long-term financial stability [9].

Increasing leverage indicates increasing investment risks. Companies with low leverage have lower risks, while high leverage suggests that a company cannot meet its short-term obligations but can handle its long-term ones [10]. This condition is supported by previous research by [11] who found that DER has a negative and significant impact on company value in the industrial sector in Jordan. However, conflicting results emerged in a study by [12] indicating that the leverage ratio (DER) has a positive but not significant impact on company value, proving that an increase in debt may not necessarily have a significant impact on company value. The inconsistent research results and the fluctuation in leverage values.

Another factor influencing company value is company size. In addition to profitability and leverage, company size is an aspect that impacts company value because an increase in the company's size or scale makes it easier for the company to obtain funding, both internally and externally [4]. Therefore, this study also uses company size (firm size) to assess the company's magnitude, which can be measured by total assets or the company's wealth size using the logarithm of total asset values [13]. This shows that company size is instrumental in assessing how well a company manages its assets to enhance its value.

Fundamentally, the size of a company is believed to have the potential to impact its value. The size of a company directly correlates with its ability to acquire both internal and external sources of funding [14]. The available data suggests a decline in the average rate of company expansion in Indonesia. The decrease in value raises concerns regarding the potential challenges companies may face in securing funding from both internal and external sources.

Isprihayadi [12] and Hariantos [15], discovered that there is a relationship between company size and company value, revealing that company size has a partially negative and significant effect on company value. It suggests that an increase in total asset size will decrease the company's value and make it difficult to secure internal and external funding sources. This aspect of company size can be valuable for investors, these findings contrast with the study conducted by [6] in Vietnam, where company size significantly influenced company value. This suggests that companies in Vietnam have substantial asset values, making it easier for them to obtain internal and external funding, enhancing their company value.

Profitability, leverage, and company size are integral parts of financial performance reports. Financial performance reports are analyses conducted to determine how well a company has adhered to its financial performance regulations accurately and appropriately [8]. This aligns with the Economic Value Added (EVA) theory, used not only to assess a company's financial performance but also to obtain realistic calculations in the effort to create company value, measured with a weighted approach. The EVA concept is calculated by taking creditors' interests into account,

resulting in the generation of added value that can benefit shareholders [16]. Based on this explanation, one can deduce that EVA is a theoretical framework that can be employed for assessing the financial performance of corporations. Its objective is to generate net profits to enhance company value and yield prosperity for stakeholders.

As previously outlined, this study utilizes the Return On Equity (ROE) ratio to evaluate profitability, as well as the Debt to Equity Ratio (DER) to gauge leverage. These financial performance factors, alongside company size, provide insight into the ability of property and real estate companies to meet their obligations. The study also incorporates the concept of company size (firm size), which is utilized to ascertain the magnitude of a company. This is assessed by evaluating the total assets held by property and real estate companies listed on the Indonesia Stock Exchange. The use of these ratios serves as indicators provided to investors and shareholders, allowing them to evaluate both a company's value and its potential. This information assists in their decision-making process, enabling them to evaluate a company's financial performance. As a result, the inclusion of such financial performance data is anticipated to enhance the company's value in accordance with the EVA principle.

Apart from profitability, leverage, and company size, other factors can influence company value. Previous studies indicate that both internal and external factors affect company value. Internally, financial factors such as capital structure can influence company value, whereas external factors like interest rates and inflation may not have a positive and significant impact on company value [17]. In addition to these factors, previous research has also examined several non-financial factors affecting a company's value, such as the Good Corporate Governance (GCG) conditions of the company, including institutional ownership, foreign ownership, and public ownership. In those studies, most aspects of GCG did not have a positive and significant impact on the company's value [18]. Although there are many factors that can influence a company's value, many previous studies still use financial reports to control variables beyond financial factors [19]. Therefore, financial aspects in financial performance reports such as profitability, leverage, and company size are essential instruments to attract investor interest in assessing a company.

The perception of investors towards a company and its stock price are closely linked, and together they determine the company's value. An elevated stock price enhances the company's valuation, while a decrease has the opposite effect. The stock price symbolizes the valuation that arises from the exchange of shares in the stock market, determined by utilizing different ratios like the Price Earnings Ratio and Price Book Value Ratio [9]. The Price Book Value Ratio (PBV) is employed in this study as a proxy to demonstrate the company's value within the property sector population, owing to the readily available data from this ratio.

Based on the observations made in Table 1.1, the overall company value based on stock prices and book value per share, known as the Price Book Value Ratio (PBV), for companies listed on the Indonesia Stock Exchange has shown a decline year over year (YoY) during the period 2020-2022. This decrease in company value is in line with the impact of the Covid-19 pandemic, which has led to a decrease in the purchasing power for properties and real estate (recession). There is a prediction that this industry will experience a contraction, as explained in the previous phenomenon. If not handled

properly, this situation could continue into the following years and lead to a phenomenon known as panic selling, where investors rapidly sell off their shares. This, of course, significantly impacts the future growth of company values in the financial services Industry.

The aim of this research is to empirically determine the extent to which investors can maximize company values in the financial service sectors. This is achieved by presenting prospective investors with financial performance indicators, such as Profitability (ROE), Leverage (DER), and Company Size (SIZE). The objective of the study is to analyze the influence of these three factors on the company's values (PBV) on the Indonesia Stock Exchange. The research encompasses a time frame of three years, starting from 2019 and ending in 2021. The decision to concentrate on the 2019-2020 period is particularly significant, as it was profoundly impacted by the global Covid-19 pandemic.. It is crucial to comprehend the impact on company values from the onset of the Covid-19 pandemic in 2019 until the easing of the Implementation of Community Activity Restrictions (PPKM) in Indonesia in 2021. The selected timeframe indirectly anticipates the influence of government-offered Value Added Tax incentives (PPN DTP) on the growth of company values amid the Covid-19 pandemic. Based on the background and the identified research gaps, the title proposed for this study is: "Factors Influencing Company Value in The Islamic Financial Services Industry In Indonesia."

2 LITERATURE REVIEW

2.1 Company Value

Company value is the perception of investors regarding the manager's success in managing the company's resources entrusted to them, often linked to stock prices [20]. According to Gitman and Zutter Value of Company provide an assessment of how investors see the company performance [21] As previously explained, a company's value is a metric linked to shareholder interests and is reflected in the company's stock price. A higher stock price indicates a higher company value. Based on the study, this research uses the Price Book Value Ratio (PBV) as a proxy to depict the company's value within the Islamic financial Services Industry because data from this ratio is easily accessible. The PBV formula used is as follows [8] :

$$\text{Price Book Value Ratio (PBV)} = \frac{\text{Stock Price per Share}}{\text{Book Value per Share}} \times 100\%$$

2.2 Profitability

Profitability represents the result of various measurement and decisions made by a company [22]. In another way profitability as a ratio to measure company's ability to generate profit. Additionally, profitability ratios provide information about the effectiveness of a company's performance [23] Profitability ratios show a company's ability to generate profit from all available sources, including sales, cash, assets, and

equity [3]. In this study, profitability is measured using Return on Equity (ROE). ROE is chosen because it demonstrates how much equity contributes to generating net profit, thereby depicting how effectively companies manage the capital obtained from investors to create net profit [4]. ROE is calculated using the following formula [24]:

$$\text{Return on Equity (ROE)} = \frac{\text{Net Profit After Tax}}{\text{Total Equity}} \times 100\%$$

2.3 Leverage

Leverage refers to a company's use of assets or funds where; in utilizing these resources, the company incurs fixed costs. In other words, it signifies how much a company finances its assets with debt. Excessive use of debt can endanger a company, leading it into the category of extreme leverage, where it becomes trapped in high levels of debt and finds it difficult to shed this burden [8]. In this study, leverage is measured using the Debt-to-Equity Ratio (DER). DER is a ratio used to gauge a company's ability to cover some or all its debts, both long-term and short-term, with funds originating from its own equity. The calculation of DER can be done as follows [25]:

$$\text{Debt to Equity Ratio (DER)} = \frac{\text{Total Debt}}{\text{Total Equity}} \times 100\%$$

2.4 Company Size

The concept of company size (or firm size) is employed to gauge the scale of a company, typically measured by its total assets or overall wealth, and is often expressed as the logarithm of total assets. The utilization of this logarithmic measurement facilitates the standardization of data, thereby enhancing the comparability of companies with different sizes and yielding a more precise depiction of a company's magnitude and economic impact [13]. Company size can be interpreted as the magnitude of a company, indicated or evaluated by total assets, total sales, profit, tax expenses, and other factors [9]. Company size is assessed using a scale that classifies it as either large or small based on various criteria, such as total assets, logarithmic size, market capitalization, and other factors [13]. In this study, the logarithm of total assets, represented as log size, is utilized as a method to determine the magnitude of a company, measured using the logarithm of total assets with the following equation [13]:

$$SIZE = \text{Ln}(\text{Total Asset})$$

2.5 THEORETICAL FRAMEWORK

The conceptual framework is formulated by examining the interplay between profitability (ROE), leverage (DER), and company size (SIZE) with respect to a company's value (PBV), drawing on established theories and prior research findings. The framework is illustrated in the figure below.

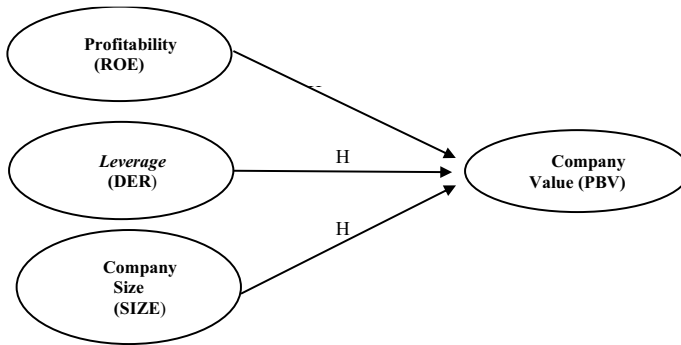


Fig. 1. Conceptual Framework

3 METHODOLOGY

This Research using Quantitative Method, and sampling method employed in this research is purposive sampling. Purposive sampling is a sampling technique based on specific considerations and objectives [26]. The criteria and considerations for sample selection in this study include:

1. Sharia Finance Industry entities listed on the Indonesia Stock Exchange (BEI) in the period 2020-2022.
2. Sharia Finance Industry entities consistently publishing financial reports on the Indonesia Stock Exchange (BEI) for the last 3 years or during the period 2020-2022.
3. Sharia Finance Industry entities listed on the Indonesia Stock Exchange (BEI) with main board listing status due to a good financial track record; development and acceleration status companies.

The process of determining or selecting samples based on the purposive sampling method.

There are 33 samples of companies that meet the criteria for consistent financial reporting from 2020 to 2022 and are listed on the main board category of the Indonesia Stock Exchange (BEI). Based on the information, it is evident that there are 11 companies that meet the specified criteria over a period of three years, specifically from 2020 to 2022. As a result, a total of 33 research data samples were collected to support this research. The data utilized for analyzing and testing the impact of profitability (ROE), leverage (DER), and company size (SIZE) on company value (PBV) is secondary data. This type of data is obtained indirectly, such as through other individuals or documents [26].

The data collection process involved utilizing the documentation technique, wherein secondary data sourced from the official website of the Indonesia Stock Exchange (BEI) at www.idx.co.id was gathered, identified, and analyzed. The impact of profitability, leverage (DER), and company size (SIZE) on the company value (PBV) is documented in the publication by the Indonesia Stock Exchange (BEI). Furthermore,

this study incorporated supplementary data from sources including books, journals, and other references.

4 RESULTS AND DISCUSSION

4.1 Panel Data Analysis

In the context of panel data estimation, three distinct methods can be employed, namely the Common Effect Model, the Fixed Effect Model, and the Random Effect Model. To determine the appropriate panel data model, one can employ tests such as the Chow test, the Hausman test, and the Lagrange Multiplier test. The thorough examination of the panel data model is crucial in order to achieve accurate and reliable outcomes in regression analysis.

Table 1. Chow Test

[Effects Test	Statistic	d.f.	Prob.
Cross-section F	8,57	(21,4)	0,00
Cross-section Chi-square	112,49	21	0,00

Source: Data processed using Eviews 12

In the realm of panel data estimation, three distinct methods can be employed, namely the Common Effect Model, the Fixed Effect Model, and the Random Effect Model. In order to select the suitable panel data model, one can utilize tests such as the Chow test, the Hausman test, and the Lagrange Multiplier test. A comprehensive examination of the panel data model is imperative for obtaining accurate and reliable outcomes in regression analysis.

Table 2. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section Random	5,27	4	0,26

Source: Data processed using Eviews 12

The analysis of the Hausman Test results in Table 4.2 above indicates that the value of “a” is less than the Probability Cross-section Chi-Square. The observed value for the Probability Cross-section Chi-Square is 0.26 or 26.09%, while the value for “a” is 0.05 or 5%. Accordingly, the Random Effect Model is decided upon.

Table 3. Lagrange Multiplier Test

Test Hypothesis			
	Cross-section	Time	Both
Breusch-Pagan	28.10	0.06	28.17
	(0.00)	(0.80)	(0.00)
Honda	5.30	-0.25	3.57
	(0.00)	(0.60)	(0.00)

Source: Data processed using Eviews 12

The analysis of the Lagrange Multiplier Test outcomes displayed in Table 4.3 above reveals that the value of “a” exceeds both Breusch-Pagan values. The Breusch-Pagan tests both indicate a value of 0.00 or 0.00%, while the value of a is 0.05 or 5%. Consequently, the Random Effect Model is chosen. Therefore, the optimal panel data model for the research regression is the Random Effect Model. Findings from the regression equation analysis on panel data:

Table 4. Panel Data Regression Equation

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0,65	0,05	12,38	0,00
Profitability	-0,05	0,01	-3,31	0,00
Leverage	0,00	0,00	0,71	0,48
Company Size	0,00	0,00	2,02	0,04

Source: Data processed using Eviews 12

According to the data presented in Table 4.4 above, the panel data regression results for the research are outlined as follows.:

$$Y_{it} = 0.65 - 0.05 ROA_{it} + 0.00 DAR_{it} + 0.00 SIZE_{it} + \varepsilon_{it}$$

The coefficient of constant term is 0.650853. Assuming constant profitability, leverage, company size, and funding decisions, the price-to-book value (PBV) of the company is expected to increase by 0.650853 units. The regression coefficient of profitability is -0.047093, whereas the regression coefficient of funding decisions is -0.000283. As a result, the decisions regarding profitability and funding have a detrimental effect on the price-to-book value (PBV). With each one percent increase in profitability, the price-to-book value (PBV) will decrease by -0.047093. Likewise, a funding decision increase of one percent will lead to a reduction of -0.000283 in the

price-to-book value (PBV). The regression coefficient for leverage is measured at 0.000629, and the regression coefficient for company size is determined to be 0.003230. As a result, the utilization of leverage and the size of the company positively affect the price-to-book value (PBV). A 0.000629 increase in the price-to-book value (PBV) can be expected for every one percent rise in leverage. In a similar manner, a one percent increase in company size will result in a 0.003230 increase in the price-to-book value (PBV).

Classical Assumption Test

Normality Test

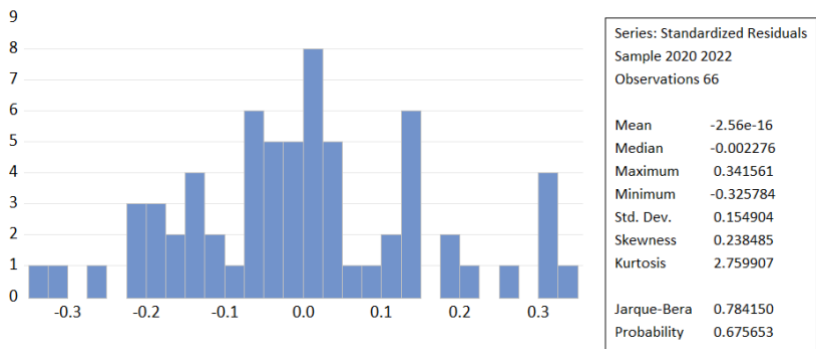


Figure 2

Normality Test

Source: Data processed using Eviews 12

According to the provided chart, the probability value is 0.675653 or 67.56%, indicating that the probability exceeds 5%. Consequently, the data in the research regression follows a normal distribution.

Multicollinearity Test

Table 5. Multicollinearity Test

	ROA	DAR	SIZE
ROA	1.00	-0.31	0.20
DAR	-0.31	1.00	0.17
SIZE	0.20	0.17	1.00

Source: Data processed using Eviews 12

The correlation coefficients between profitability, leverage, firm size, and funding decisions, as shown in the table above, do not surpass 85% or 0.85. Among the correlation coefficients, leverage and funding decisions exhibit the highest correlation coefficient at 0.859534, while the lowest correlation coefficient of -0.311102 is

observed between profitability and leverage. Consequently, the examined independent variables in this research regression model do not demonstrate a linear correlation.

Heteroskedastisity Test

Table.6 The Park Test for Heteroskedasticity

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-5,58	0,83	-6,68	0,00
Profitability	-0,30	0,21	-1,47	0,15
Leverage	0,00	0,01	0,50	0,62
Company Size	-0,00	0,03	-0,11	0,91

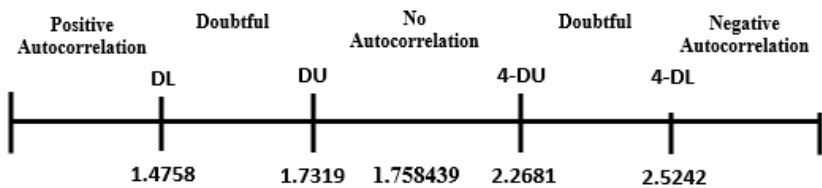
Source: Data processed using Eviews 12

The heteroskedasticity test results provided above indicate that all independent variables in this study possess residuals with a probability value exceeding 0.05 or 5%. Hence, the panel regression data utilized in this study is devoid of any heteroskedasticity issues.

Autocorrelation Test

Figure 3

Autocorrelation Test



Source: Data processed using Eviews 12

According to the findings of the autocorrelation test conducted earlier, the coefficient lies within the range of DU and 4-DU, specifically at 1.76. Thus, the panel regression data in this study is free from any autocorrelation complications.

Hypothesis Testing

Partial Significance Test (t-test)

Tabel 7. Partial Significance Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Profitability	-0,05	0,01	-3,31	0,00
Leverage	0,00	0,00	0,71	0,48
Company Size	0,00	0,00	2,02	0,04

Source: Data processed using Eviews 12

The partial significance test conducted above, with a significance level (α) of 0.05 or 5%, indicates that the probability value for profitability is 0.0016, which is less than α . Thus, one can infer that the presence of profitability has a pronounced adverse impact on firm value. Consequently, H1 is deemed to be accepted. Furthermore, the probability value for leverage exceeds the threshold α at 0.4793. Therefore, one can draw the conclusion that leverage has an insignificant impact on the value of a firm. Therefore, the acceptance of H2 is denied. Additionally, the probability value for the size of the company is 0.0481, which is less than the predetermined level of significance, α . Therefore, it can be deduced that the magnitude of a company has a considerable favorable impact on its overall value. Thus, H3 is deemed acceptable.

The Simultaneous Significance Test (F-Test)

Tabel 8. The Simultaneous Significance Test (F-Test)

Root MSE	0.078675	R-squared	0.202533
Mean dependent var	0.199804	Adjusted R-squared	0.150240
S.D. dependent var	0.088776	S.E. of regression	0.081836
Sum squared resid	0.408522	F-statistic	3.873050
Durbin-Watson stat	1.758439	Prob(F-statistic)	0.007214

Source: Data processed using Eviews 12

According to the conducted simultaneous significance test, the obtained significance level (α) of 0.05 or 5% exceeds the F-Statistic probability of 0.007214. Consequently, the simultaneous influence of the independent variables results in a positive effect on the company's value. **Coefficient of Determination**

Tabel 9. Coefficient of Determination

Root MSE	0.078675	R-squared	0.202533
Mean dependent var	0.199804	Adjusted R-squared	0.150240
S.D. dependent var	0.088776	S.E. of regression	0.081836
Sum squared resid	0.408522	F-statistic	3.873050
Durbin-Watson stat	1.758439	Prob(F-statistic)	0.007214

Source: Data processed using EViews 12

According to the coefficient of determination test conducted above, it can be concluded that the Adjusted R-squared value is 0.150240, equivalent to 15.02%. Based on the findings of this study, it can be inferred that there is a 15.02% influence from the independent variables. However, the remaining percentage is subject to the influence of other variables that were not investigated.

Discussion of Statistical Tests

Impact of Profitability on Company Value

According to [27], Profitability, as a ratio, measures a company's ability to generate earnings based on its resources and capabilities, including sales revenue and investments. According to the findings presented in Table IV.7, the analysis reveals a significant negative relationship between profitability and company value, thereby confirming the acceptance of H1. When the profitability of a company rises, its value tends to decline. The reason for this is that an increase in a company's profitability will improve its earnings per share. However, it does not guarantee an increase in the company's stock price. Consequently, in the event of an increase in earnings per share without a corresponding increase in the stock price, the company's value will experience growth.

The findings of this study align with previous research such as Alisa and Aryani [28], Panjaitan & Supriyati [29], and Dashan [30] which state that company value is negatively and significantly influenced by profitability. However, this study contradicts previous research such as [31], [32], [33], [34], dan [35] which state that company value is positively and significantly influenced by profitability.

The analysis and findings from this research lead to the conclusion that profitability has a significant negative impact on company value. This conclusion is in line with previous studies, despite some conflicting findings in earlier research.

Impact of Leverage on Company Value

Leverage refers to the debt ratio, also known as solvency ratio, which measures a company's ability to repay its debts before they are due [36]. Based on the interpretation results presented in Table IV.7, it shows that Leverage does not influence company value, meaning H2 is rejected. This means that companies capable of repaying their debts before they are due will not increase their value, which does not affect the company's stock price.

The findings of this study are consistent with previous research such as [37], [38], and [11] stating that leverage does not influence company value. This study contradicts earlier research such as [39], [40], [41], [42], and [43] stating that leverage has a positive and significant impact on company value. This study also contradicts previous research such as [44] and [45] stating that leverage has a negative and significant impact on company value.

Based on the interpretation and research results, it can be concluded that leverage does not influence company value, supported by previous research, although there are conflicting findings in earlier studies compared to the results of this research.

Influence of Company Size on Company Value

Company size refers to the quantity and range of production capabilities a company possesses or the quantity and diversity of services a company can simultaneously provide to its clients, due to the phenomenon of economies of scale [46]. Based on the interpretation results presented in Table IV.7, it shows that company value is positively and significantly influenced by company size, meaning H3 is accepted. If a company is large, its stock price will increase, whereas if it is small, its stock price will be lower.

This study's findings align with previous research studies such as [47], [48], [49] and [50] stating that company value is positively and significantly influenced by company size. This study contradicts earlier research studies such as [37], [12], and [51].

Based on the interpretation and research results, it can be concluded that company value is positively and significantly influenced by company size, supported by previous research studies, although there are conflicting findings in earlier studies compared to the results of this research.

Influence of Profitability, Leverage, and Company Size on Company Value

Based on the simultaneous significance test in Table 4.8, it shows that the significance level (α) of 0.05 or 5% is larger than the F-Statistic probability, which is 0.007214. Therefore, the F-test results indicate that the variables Profitability, Leverage, Company Size, and Funding Decision jointly and significantly influence company value. Investors invest in companies aiming to obtain returns. The higher a company's ability to profit, the greater the expected return for investors, thus enhancing the company's value [52]. One of the indicators influencing company value is leverage [53]. Company size can be said to be strongly and positively correlated with company value because the larger the business scale, the easier it is for organizations to secure finances, both internally and externally [54]. According to the Pecking Order Theory, companies prefer internal financing over external financing. Debt and equity are sources of funds originating from outside the company, while retained earnings are a source of funds from within the company. The larger the role of debt in financing its assets, the more positive signals it can send to investors because increased debt is seen as the company's ability to meet future obligations. Thus, funding decisions can increase or decrease company value [55].

Based on the coefficients of determination in Table 4.9, it shows that the Adjusted R-squared value is 0.150240 or 15.02%. It can be concluded that 15.02% is influenced by the independent variables in this study. The remaining percentage is influenced by other unexamined variables.

5 Conclusion

The research findings suggest that profitability has a significant negative impact on company value within the Islamic Financial Services Industry, when examined in isolation. This suggests that higher profitability may not necessarily result in increased market valuation within this sector. On the other hand, leverage does not show a significant impact on company value, suggesting that the debt levels of these companies may not be a primary concern for investors. However, company size positively

influences company value, indicating that larger firms in the Islamic Financial Services Industry are perceived as more valuable. Additionally, when considered collectively, profitability, leverage, company size, and funding decisions jointly and significantly influence company value, highlighting the importance of a comprehensive approach to financial management in enhancing the market valuation of companies in this industry

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