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THE INFLUENCE OF COMPANY SIZE, LEVERAGE AND PROFITABILITY ON COMPANY VALUE IN PT. BANK NEGARA INDONESIA Tbk

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Abstract

Company value is a measure of the success of company management in past operations and future prospects to convince shareholders as indicated by ratios such as market book value and price earnings ratio. This research aims to determine the effect of company size on company value at PT. Bank Negara Indonesia Tbk which is listed on the Indonesian stock exchange. Leverage on company value at PT. Bank Negara Indonesia Tbk which is listed on the Indonesian stock exchange. Profitability on PT Company value. Bank Negara Indonesia Tbk which is listed on the Indonesian stock exchange This research was carried out using a quantitative method of testing or hypotheses proposed using multiple linear analysis with SPSS software. Results of this research of research on the F test obtained a sig value smaller than zero point zero five. This means that Ha is accepted and H0 is rejected, meaning that simultaneously company size, leverage and profitability have a significant effect on company value at Bank Negara Indonesia in 2017 - 2018.

Keywords: Company size, leverage, profitability and company value.

BACKGROUND

PT. Bank Negara Indonesia Tbk was established on July 5 1946 by the Indonesian government as a central bank and also a general bank under the name Bank Negara Indonesia. Furthermore, Bank Negara Indonesia was inaugurated in the Yogyakarta area on August 17 1946. Then Margono Djojohadikoesoemo was appointed as the first Main Director.

The history of BNI in 1955 was that with the establishment of De Javasche Bank as the Central Bank, Bank BNI's role shifted to Development and then the right to act as a foreign exchange bank. In line with the increase in capital in 1955, Bank BNI's status was changed to a Commercial Bank with a judicial determination through Emergency Law no. 2 in 1955. Then in 1955 BNI also opened its first branch abroad, namely in Singapore.

Usually a company is founded to get the maximum profit, or to achieve the maximum level of profit. In facing increasingly tight business competition, companies need strategies that not only enable the company to survive, but are able to enable the company to win business competition.

Of course, there are many obstacles that companies will experience in implementing their strategy, one of which is funding problems. The capital market is a forum for seeking funds for companies and an investment forum for investors to provide services that have established relationships between capital owners (investors) and fund seekers, namely issuers.

Company value is the main objective of establishing a company (Rahayu, 2010). The higher the value of a company, it means that investors or shareholders will not hesitate to invest their capital in that company. One of the influences on the rise and fall of a company's value is based on its financial performance, especially the company's ability to generate profits.

Table 1. Company Value, Company Size, Leverage and Profitability of PT. Bank Negara Indonesia Tbk. 2017 – 2022.

years	EPS	Company Size	DER	ROA
2017	730	13,47	6,03	2,70
2018	805	13,60	6,33	2,80
2019	825	13,65	5,51	2,42
2020	176	13,70	6,61	0,54
2021	585	13,78	6,63	1,43
2022	983	13,85	6,35	2,46

Source : PT. Bank Negara Indonesia 2023

In this case, the company value, measured by EPS (Earnings Per Share), decreased between 2019 and 2020, and will also increase again in 2021. So it fluctuates.

1. Research Problem Formulation

Based on the background of the problem above, the problem formulation can be prepared as follows:

a. Do company size, leverage and profitability simultaneously influence the company value of PT. Bank Negara Indonesia Tbk.
b. Does company size influence company value at PT. Bank Negara Indonesia Tbk, ?
c. Does Leverage affect company value at PT. Bank Negara Indonesia Tbk. ?
d. Does profitability affect company value at PT. Bank Negara Indonesia Tbk. ?

2. Research Objectives

The aims of this research are:

a. To test and analyze company size, leverage and profitability simultaneously on company value at PT. Bank Negara Indonesia Tbk.
b. To test and analyze company size on company value at PT. Bank Negara Indonesia Tbk.
c. To test and analyze leverage on company value at PT. Bank Negara Indonesia Tbk.
d. To test and analyze profitability on company value at PT. Bank Negara Indonesia Tbk.

3. Research Urgency

Company value is an illustration for investors to see the company's past performance and future prospects. The higher the share price, the higher the company's value. If investors already know the value of a company, they can consider choosing that company.

LITERATURE REVIEW

Agency Theory

According to RA Supriyono (2018; 63) that Agency Theory is a contractual relationship between the principal and the agent. This relationship is carried out for a service where the principal prioritizes the interests of optimizing company profits. Agency theory is the granting of authority by the company owner (shareholder) to the company management to carry out company operations in accordance with the agreed contract. If both parties have the same interest in increasing the value of the company then management will act in accordance with the interests of the company owner.

Achieving company performance cannot be separated from agency theory. The main relationships between agencies in business are those (between shareholders and managers) and between debtholders and shareholders. This relationship is not always harmonious, indeed agency theory is related to agency conflicts, or conflicts of interest between agents and principals. Therefore, agency theory has emerged as the dominant model in the financial economics literature and is widely discussed in the context of business ethics (Jensen & Meckling, 1976 in Rico Wijaya 2017).

Nazri et al. in Handoko (2017) revealed that the larger the company size as measured by total assets and the number of subsidiaries, the greater the difficulty of the principal (owner) in monitoring management actions. This causes management as an agent to tend to choose auditors who are larger and are considered to have high capacity because they are considered better able to bridge the needs of the principal and agent. Investment decisions in the capital market cannot be separated from the assessment of company performance.

Signal Theory

According to Brigham and Houston (2019), Signaling Theory is a way for company management to provide guidance to investors regarding management's views on the company's prospects for the future. Signal Theory also suggests how a company should provide signals to users of financial reports. The signal given is in the form of information that management has carried out to realize the wishes of the company owner and other information that states the company is better than other companies. In providing information in financial reports, managers must apply conservatism accounting policies so that they can obtain higher quality results.

This is done so that companies can prevent actions that exaggerate profits and can help the use of financial reports in presenting assets and profits. Information is said to be useful if the information can really be used to make decisions by the user. When information is announced and all external parties receive the information, then external parties first describe and analyze the information as a good signal (good news) or a bad signal (bad news). Positive information provided to investors provides signals or prospects for the company in the future and will have an impact on rising share prices.

Signal theory also explains the encouragement of companies to provide information regarding financial reports to internal and external parties. This encouragement occurs if there is information asymmetry between external parties and management. This will occur if management does not convey all the information obtained as a whole so that it can influence the company value which is reflected when changes in share prices occur because the market responds to existing information as a signal.

Company Value

Company value can provide maximum shareholder prosperity if the company's share price increases. The higher the share price, the higher the prosperity of shareholders. The main goal of the company is to maximize company value. Maximizing company value has a broader meaning, not just maximizing company profits. (Weston and Copeland, 1995). (Fatima, 2017)

Company value is investors' perception of the company's level of success which is often linked to share prices. A high share price makes the company value high and increases market confidence, not only regarding the company's current performance but also depending on the company's prospects in the future. Maximizing company value is very important for companies, because it maximizes company value (Nur, 2019).

The value of the company has different meanings according to experts, one of which is according to Husnan (2015; 5) for companies that have not gone public the value of the company is the amount of costs that prospective buyers are willing to incur if the company is sold, while for companies that have gone public the value the company can be seen from the large value of shares in the capital market (Mery et al, 2017).

The factors that are thought to influence company value are company size. The larger the size of the company, which is assessed from the high total assets of the company, the more likely it is to receive greater attention from the wider community because it has established and stable finances.

(Bossaerts and Odegaard, 2006) Eduardus (2001) states that there are three factors that influence PER, namely:

a) Dividend Payout Ratio (DPR)
b) The level of return required by investors
c) Expected dividend growth rate.

Different from Tandelilin and Husan in Augusto (2015) that the factors that influence PER are as follows:

a) The ratio of profits distributed as dividends or payout ratio
b) The level of profit required by investors
c) Dividend growth.

Meanwhile, according to Weston and Coopeland (Augusto, 2015), the policy of using debt in a company can also affect company value. This is also related to the profits that will be released as a result of the use of debt and the benefits obtained from the use of that debt.

Company Size

According to Brigham & Houston (2019:4) company size is the scale of the size of the company which can be classified based on various ways, including the size of income, total assets and total equity. Company size is a scale of measurement seen from the total assets of a company or organization that combines and organizes various resources with the aim of producing goods or services for sale.

Company size based on total assets is generally due to the assumption that company managers who have large total assets indicate that the company is relatively stable and capable of generating large profits. Large companies have a wider stakeholder base, so company policies will have a greater impact on the public interest compared to small companies. For investors, company policies will have implications for future cash flow prospects. Meanwhile, for regulators, this will have an impact on the amount of taxes received and the effectiveness of their role in providing protection to society in general. According to Hartono (2012:14) "Firm size is the size of the company which can be measured by the total assets or size of the company's assets using the logarithmic value of total assets." Meanwhile, according to Kurniasih (2012: 148), company size is a value that shows the size of the company.

According to Harahap (2011:23), company size is measured by the natural logarithm (Ln) of the average total assets of the company. The use of total assets is based on the consideration that total assets reflect the size of the company and are thought to affect timeliness. The description above shows that the size of the company is determined by the size of its assets. The size of these assets is measured as the logarithm of total assets.

Company Size Classification Company size classification according to Law no. 20 of 2008 is divided into 4 (four) categories, namely:

1) Micro businesses are productive businesses owned by individuals and/or individual business entities that meet the criteria for micro businesses.
2) Small businesses are productive economic businesses that stand alone, which are carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled or become part directly or indirectly of medium or large businesses that meet the criteria for small businesses. .
3) Medium businesses are productive economic businesses that stand alone, which are carried out by individuals or business entities that are not subsidiaries or branches of companies, are controlled or become either directly or indirectly with small businesses or large businesses with total net assets.
4) Large businesses are productive economic businesses carried out by business entities with a net worth or annual sales proceeds greater than medium-sized businesses, which include state-owned or private national businesses, and foreign businesses that carry out economic activities in Indonesia.

Leverage

Another variable that influences company value is Leverage. The higher the level of leverage, the higher the risk faced and the greater the expected rate of return.

According to I Made Sudana (2015: 180), financial leverage is divided into financial structure and capital structure. Capital structure is a part of the financial structure that only concerns permanent or long-term expenditure.

Leverage is an analysis to measure the extent to which company assets are financed with debt. This analysis is used to measure how much funds are provided by the company owner in proportion to the funds obtained from the company's creditors or to measure to what extent the company has been financed with long-term debt (Fatima, 2017).

If the leverage ratio is higher, this indicates that the greater the obligations that the company must fulfill, and conversely, the lower the leverage ratio, it indicates that the company is able to meet the company's funding needs with its own capital.

There are several ratios to measure the level of leverage in a company that is needed by management in determining a decision (Astuti Dewi, 2014), namely:

a. Debt to Asset Ratio (DAR) is a debt ratio used to measure how much assets are financed by debt, both short term and long term.

b. Debt to Equity Ratio (DER) is a ratio that compares debt to equity. In other words, this ratio functions to assess every rupiah of own capital which is used as debt collateral for the Company.
c. Times Interest Earned is the number of times interest earned, which is also interpreted as the Company's ability to pay interest costs. In general, if this ratio is higher, the company's opportunity to pay loan interest costs is greater and can be used as a measure to obtain additional loans.
d. Fixed Charge Coverage or fixed charge coverage is a ratio that is similar to the Times Interest Earned Ratio. The difference is that this ratio is used if the company obtains long-term debt or rents assets based on a lease contract.

Profitability

Profitability is the final result of a number of policies and decisions made by the Company (Brigham and Houstan, 2019). The company has a goal to achieve, namely getting the maximum possible profit or gain. However, a level of profitability that is too high will give investors the conclusion that the company has a high level of profit. This will raise investors' suspicions about the company, such as a monopoly, and will increase investors' expectations and demands for the company. Therefore, managers will try to keep the company's profits stable every year by carrying out earnings management (Jeniffer and Sudirgo, 2019).

Profitability measures the Company's ability to generate profits. The profitability ratio in this research is represented by Return On Assets (ROA). ROA is a ratio used to measure the ability of a company's management to gain profits by utilizing the total assets owned. (Putri & Ukhriyawati, 2016).

Goals and Benefits of Profitability Ratios also have goals and benefits, not only for business owners or management, but also for parties outside the Company, especially parties who have relationships or interests with the Company (Kasmir, 2014: 197). The purpose of using profitability ratios for the Company, as well as for parties outside the Company, is:

1. To measure or calculate the profits obtained by the Company in a certain period.
2. To assess the company's profit position from the previous year to the current year.
3. To assess the development of profits from time to time.
4. To assess the amount of net profit after tax using own capital.
5. To measure the productivity of all Company funds used, both loan capital and own capital.

RESEARCH METHODS

1. CLASSIC ASSUMTIONS TEST

a. Normality Test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		6
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	25.22461432
Most Extreme Differences	Absolute	.195
	Positive	.129
	Negative	-.195
Kolmogorov-Smirnov Z		.477
Asymp. Sig. (2-tailed)		.977

Based on the table above, the Kolmogorov-Smirnov Z value of Asymp. Sig. (2-tailed) namely 0.977. Because this value is greater than 0.05, it can be concluded that the data population on company size, leverage and profitability is normally distributed.

b. Multicollinearity Test

The multicollinearity test aims to test whether the regression model finds a correlation between the independent variables or independent variables.

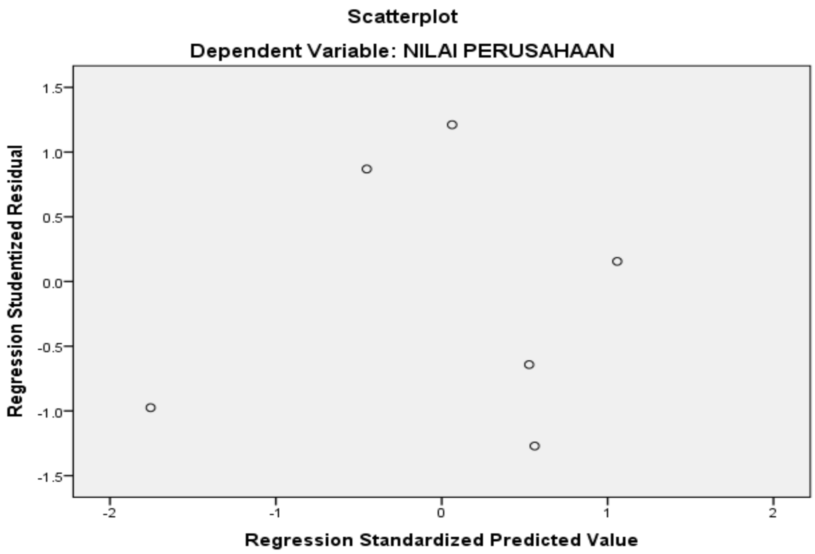
Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Company Value	.783	1.276
	LEVERAGE	.605	1.654
	PROFITABILITAS	.638	1.568

From the table above it can be seen that the amount of data does not have a VIF of more than 10, so it can be concluded that there is no multicollinearity.

c. Heteroscedasticity Test

This heteroscedasticity test is to test whether the data has the same variance or not. In this research, the results of the statistical test can be seen as follows:



In the scatterplot graph, it can be seen that the points are spread randomly and evenly distributed above and below zero on the Y axis. It can be concluded that heteroscedasticity does not occur in this regression model. So the regression model can be used to predict the level of company value based on the input of independent variables.

d. Autocorrelation Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.996[a]	.992	.980	39.88362	2.415

a. Predictors: (Constant), PROFITABILITAS, UKURAN PERUSAHAAN, LEVERAGE

b. Dependent Variable: NILAI PERUSAHAAN

From the table above, the Durbin Watson value > Alpha (2.415 > 0.05), means that among the independent variables in the regression equation model there is no autocorrelation.

2. MULTIPLE LINEAR REGRESSION

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-13167.050	1992.589		-6.608	.022		
	UKURAN PERUSAHAAN	999.436	149.745	.479	6.674	.022	.783	1.276
	LEVERAGE	-76.449	54.484	-.115	-1.403	.296	.605	1.654
	PROFITABILITAS	321.163	25.117	1.018	12.787	.006	.638	1.568

a. Dependent Variable: NILAI PERUSAHAAN

The multiple linear regression equation is as follows:

$Y = -13167.05 + 999.436\ X1 - 76.449\ X2 + 321.163\ X3 + e$

The regression equation above can be explained as follows:
1). The constant is -13167.05
This means that the constant value shows that if the value of X1, X2 and X3 is zero then the Y value is -13167.05

2). The regression coefficient of X1 is 999.436
This means that if the value of Company Size (X1) increases by one unit, while the other variables are constant, variable Y will change by 999.436.

3). The regression coefficient X2 is -76.449
This means that if the Leverage (X2) value increases by one unit, while the other variables are fixed, variable Y will decrease by 76.449.

4). The regression coefficient X3 is 321.163
This means that if the value of Profitability (X3) increases by one unit, while the other variables are constant, variable Y will increase by 321.163.

3. COEFFICIENT OF DETERMINATION

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.996[a]	.992	.980	39.88362	2.415

a. Predictors: (Constant), PROFITABILITAS, UKURAN PERUSAHAAN, LEVERAGE

b. Dependent Variable: NILAI PERUSAHAAN

The termination coefficient is 99.2%, which means that the contribution of the independent variable to the dependent variable is able to explain 99.2%, while the remaining 0.8% is influenced by other variables not examined in this research.

4. HYPOTHESIS TESTING

F test

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	390722.594	3	130240.865	81.876	.012[b]
	Residual	3181.406	2	1590.703		
	Total	393904.000	5			

a. Dependent Variable: COMPANY SIZE
b. Predictors: (Constant), PROFITABILITAS, COMPANY SIZE, LEVERAGE

From the table above it can be seen that simultaneously the independent variable has a significant effect on the dependent variable. Because the significance is smaller than 0.05.

T test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-13167.050	1992.589		-6.608	.022		
	COMPANY SIZE	999.436	149.745	.479	6.674	.022	.783	1.276
	LEVERAGE	-76.449	54.484	-.115	-1.403	.296	.605	1.654
	PROFITABILITAS	321.163	25.117	1.018	12.787	.006	.638	1.568

Dependent Variable: COMPANY SIZE

1). Company Size
Company size has a significant effect on company value because the significant value is 0.022, which is smaller than 0.05.

2). Leverage
Leverage does not have a significant effect on company value because the significant value is 0.296 > 0.05.

3). Profitability
Profitability has a significant effect on company value because the significant value of 0.006 is smaller than 0.05.

5. DISCUSSION

a. Company size, leverage and profitability simultaneously influence company value

The results of research on the F test obtained a sig value smaller than zero point zero five. This means that Ha is accepted and H0 is rejected, meaning that simultaneously company size, leverage and profitability have a significant effect on company value at Bank Negara Indonesia in 2017 - 2018. This is in line with research by Rudangga Igusti Ngurah Gede, and Sidiarta Gede Merta (2016) that Company size, leverage and profitability have a significant effect on company value.

b. Company size has a significant effect on company value

The results of the t test research showed that the calculated t **value** of X1 was significantly smaller than zero point zero five. This means that company size has a significant effect on company value at Bank Negara Indonesia in 2017 - 2022. The higher the company size, the higher the value of the company. A company with a large growth rate will provide a positive signal so that investors will be interested in investing capital in that company. This is also in line with research from Bagaskara Ramsa Satria, Titisari Kartika Hendra and Dewi Riana Rachmawati (2021) that company size has a significant effect on company value.

c. Leverage does not have a significant effect on company value

The results of the t test research showed that the significant value was greater than zero point zero five. Which means that leverage has no effect on the company's value at Bank Negara Indonesia in 2017 - 2022. Because leverage is a tool to measure how much the company has to creditors in financing the company's assets. This is also in line with research from Lasini Tri (2022) that leverage does not have a significant effect on company value.

d. Profitability influences company value

The results of the t test research showed that the significant value was smaller than zero point zero five. This means that profitability has a significant effect on company value at Bank Negara Indonesia from 2017 to 2022. It can be concluded that the higher the value of the company's profitability, it means that the company's own capital is greater than its debt. In this research, profitability is used using Return on Assets, namely by comparing profit after tax with total assets. And the negative direction means that if profitability gets smaller, the value of the company will also get smaller. The company's profitability value is not high, so the company should be able to improve its performance so that it can increase the company's profitability. So this will attract the interest of many investors. This is also in line with research from Hidayat Imam and Khotimah Khusnul (2022).

6. CONCLUSIONS AND SUGGESTIONS

Conclusion:

a. Company size, leverage and profitability simultaneously influence the company value of PT. Bank Negara Indonesia Tbk.

b. Company size influences company value at PT. Bank Negara Indonesia Tbk.

c. Leverage has no effect on company value at PT. Bank Negara Indonesia Tbk.

d. Profitability influences company value at PT. Bank Negara Indonesia Tbk.

Suggestion :

- It is recommended that Bank Negara Indonesia Tbk. Further increase profitability so that the company's performance also increases and ultimately can increase investor confidence in investing their shares in this company.

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