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The Influence of Profitability Ratio, Capital Structure and Company Size on Company Value in Plantation Companies Listed on The Indonesia Stock Exchange

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ABSTRACT
The purpose of this study was to determine the effect of profitability ratios, capital structure and firm size on firm value in plantation companies listed on the Indonesia Stock Exchange. This study uses a quantitative approach with an associative research design. This study took 11 samples from a population of 19 plantation companies listed on the Indonesia Stock Exchange during the 2016-2020 research period using the purposive sampling method with the criteria determined by the researcher. The data analysis techniques used are descriptive statistics, multiple linear regression analysis, classical assumption test, hypothesis testing, and determination test. Through the results of the partial test, it was found that the profitability ratio and capital structure had a significant effect on firm value, while the size of the company does not have a significant effect on the value of the company in plantation companies listed on the Indonesia Stock Exchange. Based on the F (simultaneous) test, it was found that the profitability ratio, capital structure and company size had a significant effect on the firm value of plantation companies listed on the Indonesia Stock Exchange. The results of the calculation of the determination test were found to be 0.33 or 33% of the firm's value influenced by profitability ratios, capital structure and firm size. Capital structure and company size jointly have a significant effect on company value in plantation companies listed on the Indonesia Stock Exchange. The results of the calculation of the determination test were found to be 0.33 or 33% of the firm's value influenced by profitability ratios, capital structure and firm size. Capital structure and company size jointly have a significant effect on company value in plantation companies listed on the Indonesia Stock Exchange. The results of the calculation of the determination test were found to be 0.33 or 33% of the firm's value influenced by profitability ratios, capital structure and firm size.

Keywords: Profitability Ratio, Capital Structure, Company Size

INTRODUCTION

Every company always strives to achieve better conditions in running its business. Better conditions can be obtained if the company is able to generate profits so that in the end the company can carry out business activities according to the vision, mission and goals of the company. The company's goals are divided into two, namely short-term goals by maximizing company profits with its resources or long-term goals by increasing company value and prospering shareholders. Companies that go public will tend to increase the value of the company. According to(ramdhonah, solikin, and sari 2019)The value of the company can be reflected in the company's stock price. Stock prices in the capital market are formed based on an agreement between investor demand and supply. The value of the company can provide maximum prosperity for shareholders if the company's share price increases. The higher the stock price, the higher the prosperity of its shareholders.

High stock prices will make the value of the company also high, and can increase market confidence not only on the company's current performance but also on the company's prospects in the future. Good corporate value is the goal of all companies, the better the value of the company, the more likely the company can make profits so that it can prosper its shareholders. The higher the stock price, the higher the prosperity of the company's shareholders, investors will see the value of a company's company through the company's financial performance, the company's financial performance determines the high and low share prices in the capital market,

Research purposes

1. To determine the effect of profitability ratios on firm value
2. To determine the effect of capital structure on firm value
3. To determine the effect of firm size on firm value
4. To determine the effect of profitability ratios, capital structure and firm size on firm value.

LITERATURE REVIEW

The value of the company

The value of the company is a reflection of investors on the level of success of the company which is often associated with stock prices. According to Widyantari and Yadnya(2017)The value of the company is the price that investors are willing to pay if the company is sold, the value of the company is reflected in the share price. the higher in the eyes of investors because investors assess the company is able to maximize and prosper its shareholders.

Profitability Ratio

Profitability ratio is a measuring tool used to see the company's ability to generate profits or profits. According to (Kasmir 2014 p. 114) the profitability ratio is a ratio that measures the effectiveness of the company in utilizing existing investments and economic resources to achieve a profit, so that the company is able to provide profit sharing to investors who have invested in the company. Meanwhile, according to Dahrani(2014) profitability is very important, because for the sustainability of the company the company must be in a favorable condition with a high level of profit will open new lines or branches and increase investment and open new investments related to the parent company.

Capital Structure

Capital is one of the important elements in improving the implementation of the company, in addition to human resources, machines, materials and methods. Decisions in determining the capital of a company are related to sources of funding, both internal and external to the company, and basically consist of the company's capital structure. The optimal capital structure is a capital structure that can optimize the balance between risk and return so as to maximize share prices, therefore in determining the capital structure of a company's funding must consider various variables that influence it. Capital structure is an important issue in making decisions regarding company spending. According to(Wahyuni 2012)The capital structure is a balance between the use of debt (debt) both long-term and short-term debt to equity (equity).

Company Size

The size of the company is a reflection of the total assets owned by a company, the size of the company is considered capable of influencing the value of the company because the larger the size of a company, the easier it will be to get funding sources (Nurminda, Isynuwardhana, and Nurbaiti 2017). Large companies can easily access the capital market, with easy access to the capital market means the company has flexibility and has the ability to get funds, because the ease of access to the capital market means flexibility and the ability to raise more funds. With this convenience it is captured by investors as a positive signal and good prospects(Nurhayati 2013).

METHOD

Operational Definition and Measurement of Variables

In this study, the authors used three independent variables (independent) and one dependent variable (dependent).

Table 1. Operational definition and measurement of variables

Variable	Definition	Indicator	Scale
Profitability Ratio **(independent variable)**	Profitability ratio is a ratio that shows the ability of company management to generate profits and the final result of a number of policies on decisions taken by management (Syafrida Hani, 2015)	$Return\ On\ Asset = \frac{earnig\ after\ tax\ \text{(EAT)}}{\text{total asset}}$	Ratio
Capital Structure **(independent variable)**	The capital structure is a balance between the use of debt (debt) both long-term and short-term debt to own capital (equity). (Wahyuni 2012)	$DER = \frac{\text{Total Hutang}}{Total\ Modal}$	Ratio
Company Size (independent variable)	Company size is a reflection of the size of a company which	Company Size = Ln (Total Assets)	Ratio

	can be seen from the total assets it has (Tumangkeng and Mildawati 2018)		
The value of the company **(dependent variable)**	The value of the company is a reflection for investors of the company, which is often associated with the stock price (Romadhani, Saifi, and Nuzula 2020)	PBV $= \frac{market\ price\ per\ share}{book\ price\ per\ share}$	Ratio

Population and Sample

The population used in this study are plantation companies listed on the Indonesia Stock Exchange in 2016-2020. The sampling technique used is the purposive sampling method, namely the sampling technique with certain considerations (Sugiyono, 2016 p. 122).

Table 2. Sample Selection

No	Information	Number of Companies
1	Plantation companies listed on the IDX 2016-2020 in a row.	19
2	Companies that IPO in 2016-2020.	(3)
3	Presentation of financial statements using foreign currencies.	(1)
4	Companies that do not have financial statements for the 2016-2020 period.	(4)
Number of samples		11

Research Model

This study uses a quantitative research approach in the form of associative aims to determine the relationship between two or more variables. Quantitative research is research that emphasizes theory testing through measuring variables with numbers and analyzing data using statistical procedures.

RESULT AND DISCUSSION

Descriptive analysis

This study uses secondary data obtained from www.idx.co.id in the form of data on the financial statements of plantation companies listed on the Indonesia Stock Exchange for the period 2016-2020 which are described in descriptive statistical methods. Descriptive statistics show the minimum, maximum (maximum), average (mean), and standard deviation (standard deviation). The following is a display of the statistical data:

Table 3. Descriptive statistical results

	N	Minimum	Maximum	mean	Std. Deviation
ROA	55	-57.54	49.30	-1.3285	14.05863
DER	55	-30.64	13.32	.8820	5.26433
Company Size	55	14.48	28.88	18.6471	4.03732
PBV	55	-.48	5.73	.9976	.83646
Valid N (listwise)	55				

Data table 3, shows the number of samples of company data (N), minimum value, maximum value and average value (mean) and standard deviation of the independent variables consisting of profitability ratios (X1), capital structure (X2), and size company (X3), while the value of the company (Y) is the dependent variable with the following explanation:

1. Based on descriptive statistical testing of the profitability ratio variable (X1), it is known that the minimum profitability value is -57.54 which indicates the lowest value in this study. The maximum value of profitability is 49.30 which shows the highest value in this study. The average value of profitability is -1.3285 which shows the average value in this study. The profitability ratio has a standard deviation value 14,05863 which shows the deviation limit of profitability in this study.
2. Based on the descriptive statistical test of the capital structure variable (X2), it is known that the minimum value of the capital structure is-30.64which shows the lowest value in this study. The maximum value of the capital structure is13.32which shows the highest value in this study. The average value of the capital structure is 0.8820 which shows the average value in this study. The capital structure has a standard deviation value 5,26433 which shows the limits of the deviation of the capital structure in this study.
3. Based on descriptive statistical testing of firm size variable (X3), it is known that the minimum value of firm size is 14.48 which shows the lowest value in this study. The maximum value of the company size is 28,88 which shows the highest value in this study. The average value of the company size is 18.6471 which shows the average value in this study. Firm size has a standard deviation value 4.03732 which shows the company size deviation limit in this study.
4. Based on descriptive statistical testing of the firm value variable (Y) it is known that the minimum value of the firm value is -0.48 which shows the lowest value in this study. The maximum value of the company value is 5.73 which shows the highest value in this study. The average value of the company is 0.9976 which shows the average value in this study. Firm value has a standard deviation value 0.83646 which shows the boundary of the company value deviation in this study.

Classic assumption test

Classical assumption test is performed to see whether the assumptions made in linear regression analysis are met. The classical assumption test in this study tested the normality of the data statistically, autocorrelation test, multicollinearity test, and heteroscedasticity test.

Normality test

Based on the table above, the results of the Kolmogogrov Smirnov (KS) are 1.287 and the significance is 0.073. The significance value is greater than 0.05 (α = 5%, significant level) then the residual data is normally distributed. So that the regression model obtained in this study is normally distributed.

Multicollinearity Test

Table 4. Multicollinearity test results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1,508	.467		3.227	.002		
	ROA	.014	.007	.236	2,046	.046	.990	1.010
	DER	.083	.019	.525	4.373	.000	.913	1.096
	Company Size	-.030	.025	-146	-1.224	.227	.920	1.087

a. Dependent Variable: PBV

From table 4. it can be concluded that the profitability ratio as measured by Return on Assets has a tolerance value of 0.990 which is greater than 0.100 and the VIF value of 1.010 is smaller than 10. The capital structure as measured by the Debt to Equity Ratio has a tolerance value of 0.913. is greater than 0.100 and a VIF value of 1.096 is smaller than 10, and Company Size has a tolerance value of 0.920 which is greater than 0.100 and a VIF value of 1.087 is smaller than 10. So it can be concluded that because the tolerance value obtained by each variable is greater than 0.100 and the VIF value obtained for each variable is less than 10, then the data on the profitability ratio, capital structure and firm size variables are free from multicollinearity symptoms.

Heteroscedasticity Test

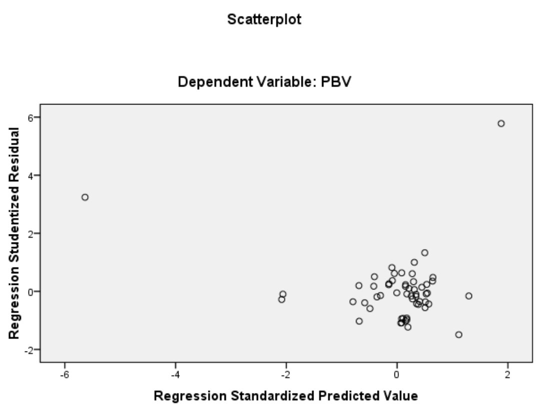

Figure 1. Heteroscedasticity Test Results

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From Figure 1. it can be seen that the points spread above and below the 0 axis on the Y axis and this indicates that the data in this study did not show symptoms of heteroscedasticity.

Autocorrelation Test

Table 5. Autocorrelation Test Results

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.575a	.330	.291	.70438	1,295
a. Predictors: (Constant), Company Size, ROA, DER					
b. Dependent Variable: PBV					

From the results of data processing in table 5. it can be seen that the Durbin-Watson value obtained is 1.295, which means that it is included in the criteria. so it can be concluded that Durbin-Watson is between -2 to +2 (-2 < 1,295 < +2), which means that the regression model is free from autocorrelation, meaning that this data can proceed to multiple linear regression tests.

Multiple Linear Regression Test

Multiple linear analysis above, the regression equation is as follows:

Y= + 1X1 + 2X2 + 3X3+ e

Y= 1.508 + 0.014 X1+0.083 X2- 0.30 X3+ e

Where:
Y = firm value
X1 = profitability ratio
X2 = capital structure
X3 = company size

From the results of the regression equation, the conclusions that can be drawn are as follows:

1) A constant value of 1.508 means that if profitability as measured by return on assets (ROA), capital structure as measured by debt to equity ratio (DER), and firm size is 0, then firm value is measured by price to book value (PBV). 1,508.
2) The value of the regression coefficient of the profitability variable as measured by return on assets (X1) is 0.014 This means that if the other independent variables have a fixed value and the return on assets has increased by 1 the value of the return on assets, then the value of the company as measured by PBV (Y) will increase by0.014.
3) The regression coefficient value of the capital structure variable as measured by the debt to equity ratio (X2) is 0.083 This means that if the other independent variables have a fixed value and the debt to equity ratio has increased by 1 the value of the debt to equity ratio, then the value of the company as measured by PBV (Y) will increase by 0.083.
4) The value of the regression coefficient of the firm size variable (X3) is -0.30 This means that if the other independent variables have a fixed value and the size of the company has increased by 1 the value of the size of the company, then the value of the company as measured by PBV (Y) will decrease by 0.30.

Hypothesis test

Partial Test (T Test)

T-test is used to determine whether or not there is an influence of each independent variable individually on the dependent variable.

Table 6. T Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,508	.467		3.227	.002
	ROA	.014	.007	.236	2,046	.046
	DER	.083	.019	.525	4.373	.000
	Company Size	-.030	.025	-146	-1.224	.227
a. Dependent Variable: PBV						

From the data processing in table 8. it can be seen that the value of Tcountis as follows :

a. The effect of profitability as measured by return on assets (ROA) on firm value, the processing results show that the value of Tcount2.046 > Ttable2.007 and a significant value of 0.046 <0.05 means that Ha is accepted, Ho is rejected. Thus, this shows that there is a significant effect of the profitability ratio on the firm value.
b. The effect of capital structure as measured by debt to equity ratio (DER) on firm value, processing results show that the value of Tcount4,373 > Ttable2.007 and a significant value of 0.00 <0.05 means that Ha is accepted, Ho is rejected. Thus, this shows that there is a significant effect of capital structure on firm value.
c. The effect of firm size on firm value, the processing results show that the T . valuecount-1,224 < Ttable2.007 and a significant value of 0.227 > 0.05, it means that Ho is accepted, Ha is rejected. Thus, this shows that the size of the company partially does not have a significant effect on the value of the company.

Simultaneous Test (F Test)

The F-test was used to test the overall effect of the independent variables simultaneously (simultaneously) on the dependent variable.

Table 7. F Test Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12,478	3	4.159	8,383	.000a
	Residual	25.304	51	.496		
	Total	37,782	54			
a. Predictors: (Constant), Company Size, ROA, DER						
b. Dependent Variable: PBV						

Based on table 9. it is known that the F test results show that the value of Fcount = 8,383. F Nilai valuecountis then compared with Ftablewith the number of nk-1 or 55-3-1=51. Based on the error rate 0.05 obtained Ftable 2.79. From the results presented, it is known that 8.383 > 2.79 and a significant value is obtained 0.00 where the significance value is at a significance level of 0.05 or 5% because it is smaller than 0.05 then Ha is accepted and Ho is rejected, so it can be concluded that profitability (ROA), capital structure (DER) and firm size simultaneously have a significant effect on firm value.

DISCUSSION

a. The Effect of Profitability Ratios on Firm Value

The profitability ratio is a ratio that measures the effectiveness of the company in utilizing existing investments and economic resources to achieve a profit, so that the company is able to provide profit sharing to investors who have invested in the company (Kasmir 2014 p. 114). The results of hypothesis testing indicate that the profitability ratio (ROA) has a significant effect on firm value. Where it shows that the more profitability ratios will increase the value of the company, the higher the profitability ratios will increase stock prices so that the impact on increasing the value of the company. The results of this study are supported by the statement by(suwardika and Mustanda 2017)that profitability has a significant effect on firm value, meaning that the greater the profits obtained by the company, the higher the firm value. The greater the profit obtained by the company by utilizing its assets, it will attract investors to invest their shares in the company.

b. Effect of Capital Structure on Firm Value

The capital structure is according to Wahyuni (2012) capital structure is a balance between the use of debt, both long-term and short-term debt to own capital. The results of hypothesis testing show that the capital structure (DER) has a significant effect on firm value. This shows that the use of high debt is considered a positive signal for investors. The use of debt in the company's capital structure will increase the value of the company because from the perspective of investors, the use of debt by the company shows the company's prospects in the future. The results of this study are supported by Abidin et al (2014) that the capital structure as measured by the debt to equity ratio has a positive and significant effect on firm value where this indicates that the increase in profits obtained by the company from the use of debt can increase firm value. Large companies will require large capital, therefore companies need large funds to support their operations, and one alternative option is to use debt if their own capital is insufficient.(Anggara and Ardini 2021).

c. The Effect of Firm Size on Firm Value

The size of the company is the size of the company is a reflection of the size of a company that can be seen from the total assets it has (Tumangkeng and Mildawati 2018). The results of hypothesis testing show that firm size does not have a significant effect on firm value. This shows that the size of the company does not necessarily guarantee the development of the business run by the company. The size of the company can be seen from the total assets owned by the company, in this study it is found that the total assets owned by plantation companies listed on the Indonesia Stock Exchange tend to increase every year this can cause the need for funds to increase to manage the company's operational activities because companies tend to choose to retain profits to be reused as capital compared to distributing dividends for the welfare of investors or company shareholders. This causes investors not to trust the company and will adversely affect the value of the company so that it decreases in the value of the company. It is also stated(Ramdhonah et al. 2019)which states that companies that have large assets tend to set retained earnings to be greater than the dividends distributed to their shareholders so that this can affect the stock price and value of the company, so that it is considered a negative signal for investors or potential investors.

CONCLUSIONS

Based on the results of the analysis and hypothesis testing in the study, it can be concluded that the profitability ratio partially has a significant effect on firm value, meaning that the greater the profits or profits obtained by the company will attract shareholders to invest in the company so that it will increase the value of the company. The capital structure has a significant effect on the value of the company, meaning that the use of capital from external funds (debt) is considered a positive signal for investors or potential investors so that it will increase the value of the company. The size of the company partially does not have a significant effect on the value of the company, it means that the size of the company as seen from the total assets, A large company size does not necessarily guarantee an increase in company value because investors perceive a large company size as a negative signal, large companies tend to make retained earnings instead of distributing them in the form of dividends to their shareholders, companies that determine retained earnings will affect stock prices and the value of the company. Simultaneously the ratio of profitability, capital structure and firm size have a significant effect on the value of the company.

SUGGESTION

This research can contribute to the development of the company and further research as follows:

1. For companies, companies must maintain and pay attention to profitability ratios and the company's capital structure so that the company's value remains high and increases so that later it is able to attract investors so that the company's future remains good and maintained.
2. For researchers, then to add other independent variables that can affect firm value, which were not examined in this study.
3. Further researchers are advised to review the independent variable which is not significant in the dependent variable, namely firm value in depth.

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