THE INFLUENCE OF SOLVENCY AND PROFITABILITY ON COMPANY VALUE WITH COMPANY SIZE AS A MODERATING VARIABLE IN PROPERTY AND REAL ESTATE COMPANIES REGISTERED ON THE IDX IN THE 2016-2018 PERIOD

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ABSTRACT

The capital market, also known as the stock exchange, is the market place where the seller and the buyer meet, which in this case the seller is a company, the buyer is an investor, and which is traded are various long-term financial instruments. This research is implemented with the purpose to examine the influence of solvency assessed by DER and profitability assessed by ROE on company value assessed by Tobin's Q with company size as a moderating variable in Property and Real Estate Companies registered on the IDX in the 2016 – 2018 period. The techniques of sampling used in this research is the purposive sampling technique to obtain the sample as much as 24 companies with the scope of data studied for 3 years, so that the amount of research data obtained as much as 72 observations. The approach used in this research is the quantitative approach with type of research uses the explanatory research. The data used in this research is a secondary data. This research uses the Partial Least Square (PLS) analysis method and the data is processed by using SmartPLS application. The result of this research shows that solvency has no influence on company value, while the profitability has a positive and significant influence on company value. Moreover, the result of this research also shows that company size is unable to moderate the influence of solvency on company value, but company size is able to moderate (strengthen) the influence of profitability on company value.

Keywords: DER, ROE, Tobin's Q, Size.

INTRODUCTION

The capital market, also known as the stock exchange, is the market place where the seller and the buyer meet, which in this case the seller is a company, the buyer is an investor, and which is traded are various long-term financial instruments. Capital market in Indonesia is known as Indonesia Stock Exchange. The Indonesia Stock Exchange published financial reports of various sectors of company. From those financial reports, the investor can assess the performance of a company and then the investor can decide whether want to place the funds they own in the company or not.

One of the important things that influence investors to invest is company value. Company value is a price that a prospective buyer is willing to pay if the company is sold. The increasing of company value will be better because it shows the greater prosperity that will be received by company owners (Husnan and Pudjiastuti, 2018). In this research, company value is assessed by Tobin's Q.

From several industrial companies which registered on the IDX, one of the industries that people are interested in is the Property and Real Estate industry because the value of land tends to increase so that it is possible to obtain a higher profit. Therefore, Heru Narwanto as the founder of Magazine and Portal Housing Estate stated that according to the data sourced from the Central Statistics Agency, the real estate sector in the first semester of 2018 decreased compared to previous years. From 2016-2018, the growth of this sector tended to decline, namely 4.69%, 3.68% and 3.11% respectively (Irfan, 2018).

The increasing of company value shows that the company's stock price also increases. The increasing of stock price indicates that the company's financial performance is getting better. This research used company value as the dependent variable because company value is one of the important indicators that influence the investors' interest to invest the capital they own in a company. The research about the influence of several financial ratios on company value has been done by other researchers. But, this research will focus on two important ratios which are solvency and profitability.

Table 1. Research Phenomenon

Issuer Code	Period	DER (X₁)	ROE (X₂)	Tobin's Q (Y)	Size (Z)
ASRI	2016	1,808	0.071	0,987	
	2017	1,418	0.162	0,924	
	2018	1,187	0.102	0,836	
BSDE	2016	0,572	0.084	1,246	

2017	0,574	0.177	1,077	30,636
				30,663
				30,670
				31,276
				31,459
				31,584
				29,572
				29,605
				29,645
2018	0,720	0.056	0,882	
	2016	0,074	0.032	0,213
GWSA	2017	0,079	0.028	0,235
	2018	0,087	0.031	0,228

Sources: Own Study (2020)

Solvency is the ratio used to assess the company's capability to fulfill all of its liabilities. A high solvency ratio can impact on the emergence of large financial risks, but have a great opportunity to generate high returns (Hery, 2016). The high opportunity to produce the profit will trigger the increasing on firm value. In this research, the solvency ratio is assessed by DER.

Based on the research implemented by Setiawati and Lim (2018), leverage has a positive significant influence on company value. The research result is accordance with the research implemented by Putri and Sari (2020), but it is contradicted with the research implemented by Al-Slehat (2019) which stated that leverage has no significant influence on company value.

Profitability ratio is a ratio that assesses how much profit a company can generate. The higher the profit level of a company, the better the management will be in managing the company (Sutrisno, 2013). Good company management with high profitability will make investors interest, so that the value of the company will increase. In this study, profitability ratio is assessed by ROE.

Based on the research implemented by Anggraini and Asmanah (2019), profitability has a positive significant influence on firm value. The result of this research is accordance with the research implemented by Djashan and Agustinus (2020), but it is contradicted with the research implemented by Murni and Sabijono (2018) which stated that profitability has no significant effect on company value.

Company size is the size of a company based on value of total assets, value of sales and market capitalization. The bigger the company, the easier it is to raise capital from outside. The bigger the capital, the bigger the company and so on, investor usually interest to the company which gives high return, so the investor will invest the funds they own. The availability of funds from investors make the companies easier to obtain investment opportunities (Kartikasari and Merianti, 2016).

This study uses company size as a moderating variable to test whether company size can moderate the influence of solvency and profitability on company value. Santoso and Susilowati (2019) have implemented the research about the influence of debt to equity ratio on firm value with company size as a moderating variable and from the research's results indicate that the influence of debt to equity ratio on firm value is moderated by company size. Moreover, Pohan, et.al. (2019) has conducted the research about the influence of profitability on company value with company size as a moderating variable and from the research's results indicate that the influence of profitability on company value is moderated by company size.

According to the explanations above, the researcher is interested to implement the research entitled "The Influence of Solvency and Profitability on Company Value with Company Size as a Moderating Variable in Property and Real Estate Companies Registered on the IDX in The 2016-2018 Period".

Based on the explanation above, the problems in this research can be formulated as follows:

1. Does solvency influence company value in Property and Real Estate Companies registered on the IDX in the 2016-2018 period?
2. Does profitability influence company value in Property and Real Estate Companies registered on the IDX in the 2016-2018 period?
3. Does solvency influence company value with company size as a moderating variable in Property and Real Estate Companies registered on the IDX in the 2016-2018 period?
4. Does profitability influence company value with company size as a moderating variable in Property and Real Estate Companies registered on the IDX in the 2016-2018 period?

LITERATURE REVIEW

Company value

Company value is the price that a prospective buyer is willing to pay if the company is sold (Husnan and Pudjiastuti, 2018). Company value is the perception of investor on a company's potential growth which is often associated with the development of stock prices (Aditya and Naomi, 2017). Company value is the present value of the company's profits earned during the operations of the company (Sudrajat and Suwaji, 2018). Thus, it can be concluded that company value is a value which illustrates the selling price of the company concerned.

The indicator that used to assess the company value (Rajagukguk, Ariesta and Pakpahan, 2019) as follows:

$$\text{Tobin's Q} = \frac{\text{MVE} + \text{Book Value of Liabilities}}{\text{Book Value of Total Assets}}$$

Where the Market Value of Equity (MVE) can be assessed with the formula: MVE = stock price x number of outstanding shares

Solvency

In a broad sense, the solvency ratio is used to measure the ability of a company to fulfill all of its liabilities, both short-term liabilities and long-term liabilities (Hery, 2016). Solvability ratio is ratio that used to counting leverage of company (Hantono, 2017). Solvability is the capability of a company to fulfill all of its liabilities (Derianto and Arza, 2020). Thus, it can be concluded that solvency is a ratio which is used to assess the company's capability in financing all of its liabilities, both current liabilities and non-current liabilities.

The indicator that used to assess the solvency (Husnan and Pudjiastuti, 2018) as follows:

$$\text{DER} = \frac{\text{Total Liabilities}}{\text{Total Equity}}$$

Profitability

Profitability ratio measures the ability of company to generate profits (profitability) at a certain level of sales, assets and share capital (Hanafi and Halim, 2016). Profitability ratio is the ratio shows the ability of company in producing profit (Anwar, 2019). Profitability is the level of net profit which can be achieved by the company while implementing the operation (Nur, 2019). Thus, it can be concluded that profitability is a ratio which is used to assess the ability of company in obtaining the profit which can be connected with sales, assets and capital (equity).

The indicator that used to assess the profitability (Sugiono and Untung, 2016) as follows:

$$\text{ROE} = \frac{\text{Net Income}}{\text{Total Equity}}$$

Company Size

The size (scale) of the company is an important variable that will explain the choice of accounting method. The company size can be grouped as one of the elements from the work environment which will influence the perception of management later (Hery, 2017). The company size is the size of company which can be seen from the size of the capital which is used, the total assets which are owned, or the total sales which are obtained (Chasanah, 2019). Company size is the company which size can be classified by several ways there are looking at the logarithm of total assets, logarithm of total sales, market capitalization (Pohan, et.al., 2019). Thus, it can be concluded that company size is a scale used to measure the size of a company which can be seen based on the value of total assets, the value of sales, and the value of market capitalization.

The indicator that is used to assess company size (Rodoni and Ali, 2014) as follows:

$$\text{Firm Size} = \text{Ln (Total Assets)}$$

Hypothesis Development The Influence of Solvency on Company Value

According to Sudana (2015), in the certain condition and there are taxes, the more debt that used rather than the own capital, the value of the company will be even higher. This happens because the usage of the debt causing the interest costs and deductible on taxable profit, so the tax paid by the company becomes smaller, or there are tax savings.

Whereas, according to Setiawati and Lim (2018) who studied in the manufacturing companies registered on the Indonesia Stock Exchange in the period of 2011-2015, the result of this study shows that leverage has a positive and significant influence on the value of the company.

Moreover, according to Endri and Fathony (2020) who studied in the financial sector companies registered on the Indonesia Stock Exchange in the period of 20132017, the results shows that DER has no influence on the company value.
According to the explanation above, the first hypothesis from this research is: H1: Solvency has an influence on company value in Property and Real Estate Companies registered on the IDX in the 2016-2018 period.

The Influence of Profitability on Company Value

According to Sugeng (2017), the variable that determines the ups and downs of company's value is the prospect of the company's future ability to generate revenue or profit. Moreover, it can be concluded that the higher the ability of the company to generate profits, the more the value of company will be increased and vice versa the smaller the ability of company to generate profits in the future, the lower the company's value.

Whereas, according to Anggraini & Asmanah (2019) who studied in the food and beverage companies registered on the Indonesia Stock Exchange in the period of 2012-2017, the result shows that profitability has a positive significant influence on company value.

Moreover, according to Murni and Sabijono (2018) who studied in the banking sector companies listed on the Indonesia Stock Exchange in the period of 2006-2015, the result shows that ROE has no significant influence on company value. According to the explanation above, the second hypothesis from this research is: H2: Profitability has an influence on company value in Property and Real Estate Companies registered on the IDX in the 2016-2018 period.

The Influence of Solvency on Company Value with Company Size as a Moderating Variable

According to Santoso and Susilowati (2019) who studied in the LQ 45 companies listed on the Indonesia Stock Exchange in the period of 2015-2018, the result shows that the company size can positively moderate the effect of debt-to-equity ratio on company value which means the company size strengthen the effect of debt-to-equity ratio on company value.

However, according to Suwisnaya and Krisnadewi (2017) who examined manufacturing companies listed on the Indonesia Stock Exchange in 2012-2015, the result shows that company size can moderate the effect of debt-to-equity ratio on company value in a negative direction which means that company size weakens the effect of the debt-to-equity ratio on company value.

Whereas, according to Mahdaleta, et.al (2016) who studied in the manufacturing companies listed on the Indonesia Stock Exchange in the period of 2012-2014, the result of this study shows that firm size can't moderate the effect of DER on company value.

 Based on the explanation above, the third hypothesis from the research is:

H3: Solvency has an influence on company value with company size as a moderating variable in Property and Real Estate Companies registered on the IDX in the 20162018 period.

The Influence of Profitability on Company Value with the Company Size as a Moderating Variable

According to Pohan, et. al. (2019) who studied in the non-financial companies listed on the Indonesian Stock Exchange in the period of 2014-2016, the result shows that the company size strengthen the profitability influence on the company value which means that the company which having a large size is classified as being able to make the level of achievement of the company's profitability rise so that it hopes to get a positive response from market players such as investors and creditors, which in turn will increase the value of company.

Likewise, according to Nur (2019) who examined manufacturing companies listed on the Indonesia Stock Exchange in 2015-2017, the results showed that company size significantly moderates the effect of profitability on firm value, which means that the greater company size, the greater the positive impact of profitability to company value.

However, according to Aji and Atun (2019) who studied in the manufacturing companies listed on the Indonesia Stock Exchange in the period of 2014-2018, the result shows that firm size is unable to moderate (strengthen) the relationship between profitability and company value.

According to the explanation above, the fourth hypothesis from this research is:

H4: Profitability has an influence on company value with company size as a moderating variable in Property and Real Estate Companies registered on the IDX in the 2016-2018 period.

Conceptual framework

Based on the explanation above, the conceptual framework of this research can be seen in the figure 1.

Figure 1. Conceptual Framework
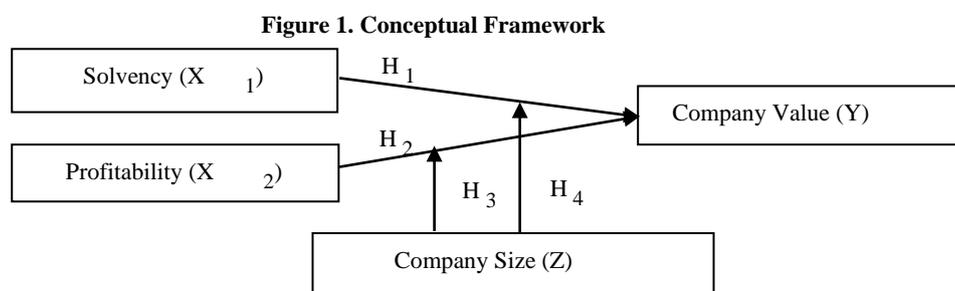
RESEARCH METHODOLOGY

Population and Sample

Population targets in this research are the property and real estate companies which has gone public and registered on the IDX in a row in the 2016–2018 periods. The sampling techniques used in this research are purposive sampling method. According to Sugiyono (2019), purposive sampling is a sampling technique with certain considerations. So that the criteria of sampling technique as follows:

1. Property and Real Estate Companies listed on the IDX in a row in the period of 2016-2018.
2. Property and Real Estate Companies listed on the IDX which have profit in the period of 2016-2018.

Based on the sampling criteria above, so it obtained the as much as 24 companies with the scope of data studied for 3 years so that the amount of research data obtained is 24 x 3 = 72 observations.

Research Method

This study used quantitative approach. Sugiyono (2019) stated that the quantitative research method is a research method based on the positive philosophical, used to analyze certain population or sample, the data collection used the research instrument, data analysis is quantitative/statistic, aims to test established hypotheses.

The research type used explanatory research. According to Singarimbun and Sofyan (2014), the explanatory research is the research which explains the causal relationship between the research variable through the hypothesis test.

The Data Collection Technique

Sugiyono (2019) stated that documents are records of past events. Documents can be in the form of writings, pictures, or monumental works of a person. The data collection technique used the data collection technique with the documentation which is collecting the supporting data namely literature, the previous research and published reports namely the financial reports of Property and Real Estate Companies listed on IDX in the period of 2016–2018.

Type and Source of Data

The data that used by the researcher is secondary data. The secondary data that used is sourced from www.idx.co.id.

Data Analysis Technique

This research used Partial Least Square (PLS) of data analysis method and processed using software of SmartPLS 3.0. According to Ghozali & Latan (2015), Partial Least Square are the powerful analysis method, which often called as soft modeling because negating the assumptions of OLS (Ordinary Least Square) regression, such as the data must be normally distributed in a multivariate manner and there is no multicollinearity problem between exogenous variables. The advantages of PLS are that it does not require numerous samples and the data does not have to be normally distributed.

The steps of PLS test with software SmartPLS 3.0 in this research is evaluation model, hypothesis test and moderation test.

Evaluation model

There are 2 models of Evaluation model in PLS as explains below:

1. Outer model or measurement model evaluation

Outer model or measurement model evaluation aimed to assess the validity and reliability of the data. According to Ghozali and Latan (2015), analysis with the observed variable used SmartPLS program, they are not needed to implement the measurement model to test the validity and reliability of the data, so that the evaluation of structural model is immediately carried out.

2. Inner model or structural model evaluation

Inner model or structural model evaluation aimed to predict the relationship between latent variable. According to Ghozali and Latan (2015), in measuring the structural model with PLS, the researcher starts by looking at the value of RSquare for each endogenous latent variable as the predictive strength of the structural model.

Hypothesis Test

In this research, the decision-making's criteria for hypothesis testing as follows:

•   If T statistic > 1,96 and level of significance < α = 5%, so the hypothesis accepted.
•   If T statistic < 1,96 and level of significance > α = 5%, so the hypothesis rejected.

Moderation Test

Ghozali (2017) stated that the moderating variable is the independent variable which will strengthen or weaken the relationship between other independent variable on the dependent variable.

The moderation test aims to test whether the moderating variable, which in this research is company size, can strengthen or weaken the relationship between the independent variables, which in this research are solvency and profitability, on the dependent variable, which in this research is company value.

RESULT AND DISCUSSION

Descriptive Statistic

Descriptive statistics will give the illustration related the minimum, maximum, mean, median and standard deviation of the variable that used in this research. Display statistical data in generally from the variable in this research can be seen in the table 2 below.

Table 2. Descriptive Statistic

	N	Mean	Median	Minimum	Maximum	Std. Deviation
DER	72	0,813	0,729	0,074	1,974	0,510
ROE	72	0,098	0,085	0,000	0,412	0,074
TOBIN'S Q	72	1,198	1,005	0,213	5,402	0,809
SIZE	72	29,726	29,902	27,372	31,584	1,051

Source: The result of Output SmartPLS 3.0 (2020)

Based on the descriptive statistic measurement in the table 2 above, so can be explained as below:

1. Solvency variable which is measured by DER have the total sample as much as 72, with the minimum value of 0.074 at PT Greenwood Sejahtera Tbk in 2016 and the maximum value of 1.974 at PT PP Property Tbk in 2018, while the average value (mean) of 0.813, the median value of 0.729 and the value of standard deviation value as much as 0.510.
2. Profitability variable which is measured by ROE have the total sample as much as 72, with the minimum value of 0,000 at PT Pikko Land Development Tbk in 2017 and the maximum value of 0,412 at PT Fortune Mate Indonesian Tbk in 2016, while mean value of 0,098, the median value of 0,085 and the standard deviation value of 0,074.
3. Company value variable which is measured by Tobin's Q have the total sample as much as 72, with the minimum value of 0,213 to PT Greenwood Sejahtera Tbk of 2016 and the maximal value of 5,402 at PT Metropolitan Kentjana Tbk in 2017, while the mean value of 1,198, the median value of 1,005 and the standard deviation value of 0,809.
4. Company size variable have total sample as much as 72, with the minimum value 27, 372 to PT Fortune Mate Indonesian Tbk of 2016 and the maximum value 31,584 to the PT Bumi Serpong Damai Tbk of 2018, while the mean value is 29,726, the median value of 29,902 and the standard deviation value of 1,051.

Evaluation Model

Evaluation model by using the partial least square analysis consists of 2 evaluations, which is evaluation of measurement model (outer model) and evaluation of structural model (inner model).

Measurement Model Evaluation (Outer Model)

Ghozali and Latan (2015) stated that the analysis of observed variable by using the SmartPLS program does not need the evaluation of measurement model (outer model) to test the validity and reliability of the data. So in this research, it is not implemented the evaluation of measurement model (outer model) and the structural model evaluation (inner model) will be immediately carried out.

Structural Model Evaluation (Inner Model)

Evaluation of structural model is implemented to predict the relationship between variables in this research. This evaluation will explains how much the independent variable is capable of explaining the dependent variable or which often called R square. The results of structural model evaluation (inner model) can be seen in the table 3.

Table 3. Inner Model Evaluation

|	R Square	R Square Adjustment
TOBIN'S Q (Y)	0,385	0,339

Source: The result Output SmartPLS 3.0. (2020)

Based on the table 3 above, it shows that the value of R square as much as 0,385 or 38,5%. The value shows that the independent variable's ability in explaining the dependent variable as much as 38,5%. While, the rest as much as 61,5% is explained by other variables which are not examined in this research.

Hypothesis test

The result of hypothesis test in this research can be seen in the Figure 2 and Table 4 below.

Figure 2. Hypothesis test
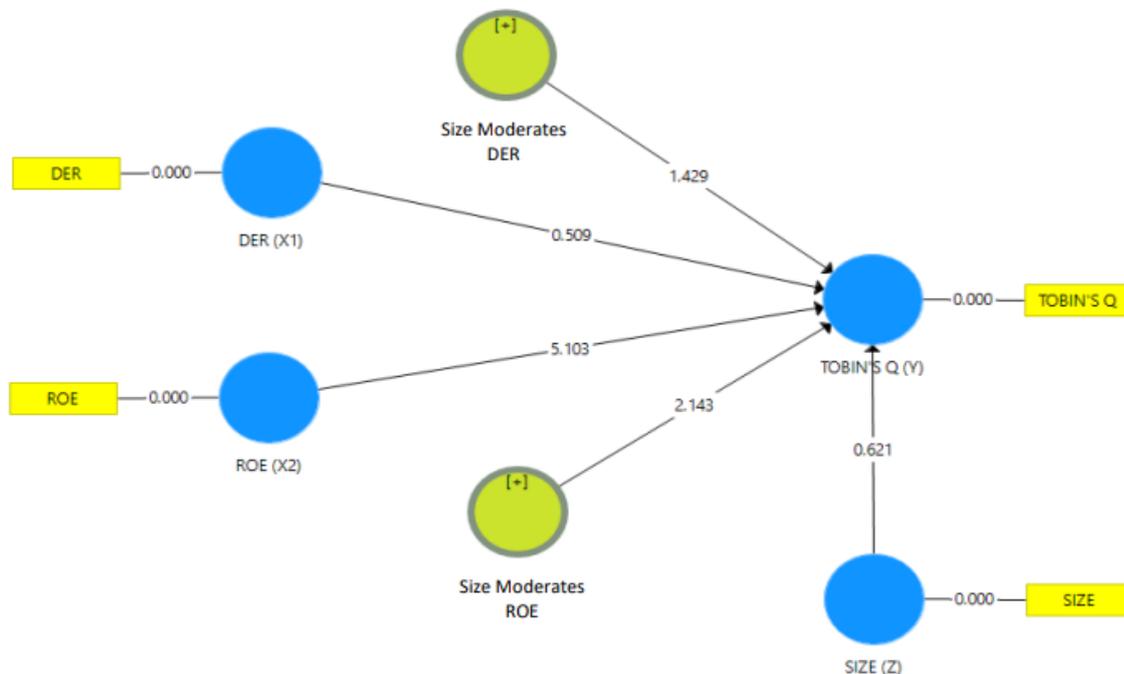
Source: The result of Output SmartPLS 3.0 (2020)

The Figure 2 above is the path diagram from the hypothesis test result in this research. In the Figure 2 above shows that T-statistic value from of each of the effects tested.

Table 4. Hypothesis Test

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistic (|O/STDEV|)	P Values
DER (X1) → TOBIN'S Q (Y)	0.060	0.069	0.118	0.509	0.611
ROE (X2) → TOBIN'S Q (Y)	0.698	0.691	0.137	5.103	0.000
SIZE (Z) → TOBIN'S Q (Y)	-0.077	-0.079	0.123	0.621	0.535
Size Moderates DER → TOBIN'S Q (Y)	0.155	0.152	0.109	1.429	0.154
Size Moderates ROE → TOBIN'S Q (Y)	0.268	0.254	0.125	2.143	0.033

Source: The Result of Output SmartPLS 3.0 (2020)

Based on the table 4 above, so analysis equations in this research as follows:

$$\text{Tobin's Q} = 0{,}060\text{DER} + 0{,}698\text{ROE} - 0{,}077\text{Size} + 0{,}155\text{DER*Size} + 0{,}268\text{ROE*Size}$$

Based on the result of hypothesis test and the equation above, it can be explained as follows:

1. The Influence of Solvency on Company Value

From the hypothesis test result obtained the T statistic value as much as 0,509 < 1,96 and P-value is 0,611 > 0,05. Based on the result, it shows that H1 is rejected which means that solvency has no influence on company value in Property and Real Estate Companies registered on the IDX in the 2016-2018 period. This result shows that the level of solvency ratio does not influence company value.

The size of debt owned by the company does not necessarily influence the value of company, because if the company is able to manage its debt properly even though the amount of debt is large, then the company is classified as having a high value.

This result is not accordance with the theory argued by Sudana (2015) which stated that in this certain condition and there are taxes, the more debt that used rather than the owner's equity, the company value will higher. This happens because the use of debt incurs interest costs and deductible on taxable profit, so that the tax paid by the company becomes smaller, or there are tax savings. The result of this study is in line with the research implemented by Al-Slehat (2019) and Endri and Fathony (2020) which stated that solvency has no significant impact on firm value. Moreover, the result is not in line with the research implemented by Setiawati and Lim (2018) and Putri and Sari (2020) which stated that solvency has a positive and significant influence on company value. The research's result is contradicted with the research implemented by Hasibuan, et.al. (2016) which stated that solvency has a negative and significant influence on company value.

2. The Influence of Profitability on Company Value

From the hypothesis test result obtained T statistic value as much as 5,103 > 1,96 and P-value is 0,000 < 0,05. Based on the result, it shows that H2 is accepted which means that profitability has an influence on company value in Property and Real Estate Companies registered on the IDX in the 2016-2018 period. The original sample value is +0,698 which means that the profitability measured by return on equity has a positive and significant influence on the company value measured by Tobin's Q on Property and Real Estate Companies registered on the IDX in the 2016-2018 period. This means that the increasing of the profitability will be followed by the increasing of the company value, and vice versa if the profitability decreases, it will be followed by the decreasing of company value.

The company with higher profitability ratio shows that the company has a good prospect in producing the profit. The higher the profitability ratio which is measured by return on equity, it shows that the more efficient the management party of company in using the own equity to produce the profit. This will also get a positive response from the investor, because the investor usually interested to invest the equity they own on the company which gives the high return. The high interest of investor to invest to the company with high profitability will impact on the increasing of the company's stock price, so in the end it will effect on the increasing of company value. Vice versa, the lower the profitability in the end will cause the decreasing of company value.

This result is accordance with the theory argued by Sugeng (2017) which stated that the bigger the company's ability in producing the profit will always increase the company value and vice versa the low of company's ability in producing the profit will decrease the company value.

This result is accordance with the research implemented by Anggraini and Asmanah (2019), Djashan and Agustinus (2020) and Janice and Toni (2020) which stated that profitability has a positive significant influence on company value. Moreover, this research's result is contradicted with the research that implemented by Putri, et.al. (2016) which indicated that the profitability has a negative and significant influence on firm value. This research's result is also contradicted with the research implemented by Murni and Sabijono (2018) which stated that the profitability has no significant influence on company value.

3. The Influence of Solvency on Company Value with Company Size as a Moderating Variable

From the result of hypothesis test obtained T statistic value as much as 1,429 < 1,96 and P-value is 0,154 > 0,05. Based on the result, it shows that H3 is rejected which means that the influence of solvency on company value is not moderated by company size in Property and Real Estate Company registered on the IDX in the 2016-2018 period. The type of moderation that occurs is potential moderation or homologizer moderator because the influence of interaction between company size as a moderating variable with solvency on company value and the influence of company size on company value are equally insignificant.

Company with a large size tends to have a larger amount of debt. However, this will not affect investors' interest in the company's shares, because in investing the funds they own, investors usually pay more attention to the performance of company in generating profits.

This result is accordance with the research implemented by Mahdaleta, et.al (2016) and Apriliyanti, et.al. (2019) which stated that the relationship between solvency with company value is not moderated by company size. Moreover, this research is contradicted with the research implemented by Iskandar (2016) and Santoso and Susilowati (2019) which stated that the company size strengthen the influence of solvency on the company value. The research's result is also contradicted with the research implemented by Suwisnaya and Krisnadewi (2017) which stated that the effect of solvency on company value is weakened by company size.

4. The Influence of Profitability on Company Value with Company Size as a Moderating Variable

From the result of hypothesis test obtained T statistic as much as 2,143 > 1,96 and P-value is 0,033 < 0,05. Based on the result, it shows that H4 is accepted which shows that the influence of profitability on company value is moderated by company size in Property and Real Estate Companies registered on the IDX in the 2016-2018 period. The type of moderation that occurs is pure moderator because the influence of interaction between company size as a moderating variable with profitability on company value is significant, while the influence of company size on company value is not significant. Next, the original sample value is +0,268 which means that the company size is able to moderate positively (strengthen) the influence of profitability on company value in Property and Real Estate Companies registered on the IDX in the 2016-2018 period.

Company size is the size of a company. The bigger the firm size, the more public it will be known. If the company has well financial performance it will give a positive signal to the investor, so the demand of the company shares will increase and causing the company value also increases. Vice versa, if the company has the bad financial performance it will give a negative signal to the investor, so the company shares' demand will decrease and causing the company value also decreases.

This research's result is accordance with the research implemented by Nur (2018) and Pohan, et.al. (2019) which stated that the relationship between profitability with company value is strengthened by company size. But, this research's result is contradicted with the research implemented by Utama and Fidiana (2016), Aji and Atun (2019) and Astari, et.al (2019) which stated that company size is unable to moderate the influence of profitability on company value.

CONCLUSION AND SUGGESTION

Conclusion

Based on the result and discussion that stated, so the conclusions that can be taken in this research are:

1. Solvency has no influence on company value in Property and Real Estate Companies registered on the IDX in the 2016-2018 period.
2. Profitability has an influence on company value in Property and Real Estate Companies registered on the IDX in the 2016-2018 period.
3. The influence of solvency on company value is not moderated by company size in Property and Real Estate Companies registered on the IDX in the 2016-2018 period.
4. The influence of profitability on company value is moderated by company size in Property and Real Estate Companies registered on the IDX in the 2016-2018 period.

Suggestion

There are the suggestions which the researcher can give:

1. For property and real estate companies, it is suggested to pay attention on the company's profitability and company size, because the result shows that the increasing of the company's ability in producing the profit, it will increase the company value and company size is able to moderate (strengthen) the influence of profitability on company value.
2. For the investor, it is suggested to pay attention on the ability of company in producing profit and the company size before invest.
3. For further researcher, it is suggested to analyze the influence of other variables on company value, such as current ratio, total asset turnover, asset structure, asset growth, etc. The further researcher also can implement the research over a longer period. Moreover, the next researcher also can implement to the other company sectors.

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