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# THE EFFECT OF PROFITABILITY, LEVERAGE AND COMPANY SIZE ON COMPANY VALUE IN SHARIA NATIONAL PENSION SAVINGS BANK FOR THE PERIOD 2014-2023

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## ABSTRACT

The purpose of this study is to find out whether or not there is a relationship between Profitability, Leverage, Company Size and Company Value at the Sharia National Retirement Savings Bank. The data used is secondary data taken from the Quarterly financial statements of the Sharia National Retirement Savings Bank for 2014-2023. Multiple linear regression analysis was used for the analysis in this study, partially showing that Profitability has a partial negative effect on the company's value. Leverage has no effect on the Company's Value. The size of the company affects the value of the company. Simultaneously, it can be explained that the variables of profitability, leverage, and company size have a simultaneous effect on the value of the company.

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

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## 1.0 INTRODUCTION

A company must have goals that can be categorized in the short term or the long term. In the short term, the company aims to maximize current profits, while in the long term it aims to increase the value of the company itself (Wenny and Meliana, 2016). A good company is able to control both financial and non-financial potential in increasing the company's value for the company's existence in the long term. Maximizing company value is very important for a company, because maximizing company value means also maximizing shareholder prosperity which is the main goal of the company.

Public trust in the company can be seen from the value of the company concerned from the first time it was established until now. According to Loh Wenny Setiawati and Melliana Lim stated that a company is established to increase the prosperity of the owner or shareholders through increasing the value of the company. The higher the value of the company, the more the prosperity of the shareholders will also be guaranteed, the high value of the company also provides greater returns to the saharn shareholders. Thus, it can be concluded that when the value of the company is high, the risk felt by shareholders is also high and the desire of investors to invest will increase.

The value of a company is the price that potential buyers are willing to pay if the company is sold. The value of a company can affect the condition of a company. If the value of a good company will be seen as good by potential investors, dernikian is the opposite. A high company value also indicates good company performance. According to Brigham and Daves, the purpose of financial management is to help maximize the value of the company's shares. Investors or potential investors are generally interested in knowing the company's performance, regarding the investments they have made or will make and their prospects in the future (Brigham, 2018).

Increasing a company's value is synonymous with increasing its Price to Book Value (PBV), this ratio is a comparison between the stock price and its share book value. Price to Book Value (PBV) reflects how effectively a company is able to create company value from the amount of capital invested. This ratio provides an assessment or view of the investor on the company, meaning that the higher the PBV ratio, the investor will assess the company as having good prospects. According to Wicaksana et al., The company's value describes the company's ability to manage its resources, which can be seen from the company's financial statements in each period. Good financial condition is expected to attract investors' interest in the Company (Wicaksono, 2020).

The company's ability to generate profits from operational activities over a certain period can be measured by looking at the company's success and ability to use its assets productively. Therefore, working capital as one of the most important components of assets must be managed and utilized effectively and productively, so as to be able to increase the company's profitability.

Measurement of the Company's value can be through several indicators such as Price to Book Value (PBV), Price Earning Ratio (PER) and Tobin's Q (Silvia, 2019). However, the author only uses PBV indicators in this study. According to Wardani da Hermuningsih in his thesis, a company's value is often associated with the stock price, which is like investors' perception of the company. The higher the share price, the higher the value of the Company, which is commonly indicated by Price to Book Value (PBV), which is the level of market confidence in the Company's future prospects (Yuniarti, 2015). The company's value applies to all companies, including Islamic banking, one of which is Bank Tabungan Pensiun Nasional Syariah Tbk.

The development of the times provides a fierce competitive value for many companies engaged in various business sectors. Competition requires companies to put themselves in a stable position and be ready to compete so that they can survive and develop with good company values which is a special consideration for investors in investing their capital. The value of a company is directly proportional to the company's goal to increase profits over time as a measure of the company's performance and as a means to influence investors' perception of the company. Therefore, company information is needed for investors to know the company's performance and value.

This information is known through signals or information from outside the company and internal companies, as well as profits, investors can find out the size of the shares in a company with company information. Therefore, investors are expected to consider the information regarding the value of the company disclosed in the Signalling Theory. Signalling Theory is one of the tools to determine the direct or indirect influence of profitability, leverage, and company size on company value.

The value of a company can be influenced by the size of the company because the larger the size or scale of the company, the easier it will be for the company to obtain sources of funding, both internal and external (Brigham, 2015). The measure of profitability itself is often used to measure the efficiency of capital use in a company by comparing profits with capital used in operations. One of the factors that affects the increase in company value is the policy regarding the company's capital structure. The company's capital structure is an alloy of long-term sources of funds used by the company. According to Bangun and Wati, in making investments, investors will consider the profits of which companies will provide high returns. Profitability provides an objective value regarding the value of investment in a company.

Therefore, the profit of a company is an expectation for investors, but investors must also be careful in determining investment decisions because if it is not right, investors will not only lose their returns but all the initial capital they invest will also be lost (Bangun, 2009).

In addition, the size of the company is also a factor that affects the profitability of the company. The scale of the company shows the total assets owned by the company. A company that is large-scale and has widespread shares, usually has its own strengths in dealing with business problems and the company's ability to generate higher profits because its business or business is supported by large assets so that the company's obstacles such as adequate equipment and so on can be overcome.

Profitability is used to assess the efficiency of a company's capital use by comparing profits with capital used for operational activities. One of the important indicators for investors in assessing the company's future prospects is to see the extent of the company's profitability growth. Profitability can reflect the return on financial investments, meaning that profitability affects the value of the company due to the increasing internal resources. Good company prospects show high profitability and are able to provide returns in accordance with investors' requirements, so investors will respond positively and the company's value will increase.

Another factor that affects the value of a company is leverage. Leverage is the ability of a company to meet its financial obligations both in the short and long term or measure the extent to which a company is financed with debt (Novari and Lestari, 2016). Leverage can be understood as an estimator of the risks inherent in a company. According to Hery, high leverage shows that the company's total debt is greater than its total assets. If investors see a company with high assets but the risk of leverage is also high, it will make investors cautious in considering their investments because it is feared that the company will not be able to pay off its obligations on time so that the company's value will be low. Thus, when leverage is high, the value of the company will fall. This leverage can be measured using the Debt to Equity Ratio, because it can show the composition of funding in financing the company's operational activities or utilizing its debts.

Another factor that affects the value of a company is the size of the company. The size of the company is the size of the company which can be measured by total assets. According to Hery, the large size of the company shows that the Company is experiencing good growth. Companies with large growth will gain ease of entering the capital market because investors capture positive signals for companies that have large growth, so this positive response can reflect an increase in the value of the company. Thus when the size of the Company increases the value of the Company will increase. The size of a company can be measured by total assets. Because the total asset value is usually very large compared to other financial variables, it is used to reduce the chance of heterokedasti, so the asset variable is refined to Ln (Total Asset).

A bank's financial performance is a description of the bank's financial condition over a certain period. Analyze financial statements. PT Bank BTPN Syariah Tbk, in 2017, the company conducted an initial public offering (IPO) or go public. In theory, the decision to go public has important implications in improving the health of the company and improving financial performance After converting the company into a joint-stock company, the expected performance will improve.

Every company has a goal, one of which is to internally improve the company's performance. When a company performs well, then the company is considered to provide added value to achieve its goals. Every business also has one main goal, big profits. To ensure the survival of the company, the company uses various ways to generate profits every year. The value of a company is very important because it reflects the company's performance which can affect investors' perception of the company. Because of the company's good value, potential investors will view the company positively. And conversely, when the value of a company increases, the value of shareholders increases, which means that shareholders have a high rate of return on the capital invested.

It can be seen from the explanation according to the theory that the more profitability increases, the value of the Company will increase, then the more leverage increases, the value of the Company will decrease and the more the size of the Company increases, the value of the Company will increase. However, data on the Company's value, profitability, leverage and company size during 2017-2021 has a different fact from the theory where the lower the profitability, the more the value of the company increases, the more leverage increases the value of the company, and the more leverage increases, the more the value of the company increases, and the more the size of the company increases, the more the value of the company decreases. Because the theory in the BTPN Syariah data is not in accordance with the theory, this study will re-examine the factors that will affect the value of the Company, including profitability, leverage, and company size.

## 2.0 LITERATURE REVIEW

### Signal theory

According to Brigdham & Houston (2011), everyone, both investors and managers, has the same information about the prospects of a company. This is referred to as symmetric information. Signalling Theory or signal theory according to Ross states that companies that have better information about companies that have better information about their companies or can be said that companies that are experiencing financial health mean that companies with good news will be encouraged to convey this information to potential investors so that the company's stock price increases, while if the company is experiencing financial distress, it means that the company has bad news that shows negative signals for investors so that it will affect openness**.**

### Company values

Corporate Value is the process that has been passed by a Company for the view rather than the community's trust in a company. A high Company value indicates that the Company has good performance and trustworthy future prospects. Company Value is a certain condition that has been achieved by a Company as an illustration of the public's trust in the Company after going through a process of activities for several years, namely since the Company was established until now. Company Value is the selling value of a Company as a business that is operating Utomo, 2019).

### Profitability

High profitability will provide an indication of the Company's good prospects, so that it can trigger investors to increase demand for shares. Furthermore, the increased demand for shares will cause the value of the Company to also increase (Hery, 2023).

### Company size

The large size of the company shows that the company is experiencing good growth. Companies with large growth will gain ease of entering the capital market because investors catch positive signals for companies with large growth, so this positive response can reflect an increase in the value of the Company (Hery, 2023).

### Leverage

High leverage indicates that the Company's total debt is greater than its total assets. If investors see a company with high assets but the risk of leverage is also high, it will make investors cautious in considering their investments because it is feared that the company will not be able to pay off its obligations in a timely manner, making the company's value low (Hery, 2023)

## 3.0 METHODOLOGY

This quantitative research method is based on data obtained from secondary data from all BTPN Syariah quarterly financial statement data for 2014-2023 obtained from the relevant bank website. The quantitative method is a method that uses quantitative analysis, where the results of the analysis are presented in the form of numbers which are then explained and interpreted in a description (Hasan, 2004). The data analysis in question is an analysis to make a hypothesis and answer the formulation of the problem that has been proposed. The data obtained will be processed using quantitative techniques. The data analysis used is time series data analysis. The device used in this study to process and analyze existing data is SPSS software. According to Nachrowi (2017), hypothesis tests are useful for testing the significance of the regression coefficients obtained. This means that the regression coefficient obtained statistically is not equal to zero, because if it is equal to zero, it can be said that there is not enough evidence to state that the independent variable has an influence on the bound variable. For this purpose, all regression coefficients must be tested. There are two types of hypothesis tests on regression coefficients that can be carried out, namely the statistical t test (Partial Test) and the statistical F test (Silmultan Test), as well as the Determination Coefficient (R2). The double linear analysis is an analysis that involves the relationship between two or more variables of a bound variable. The multiple linear regression equation is formulated as follows:

$$Y = \alpha + \beta1\ X1 + \beta2X2 + \beta3X3 + \ldots.\ e$$

Information:
Y = Company Values
a = Constant
β = Regression Coefficient
X1 = Profitability
X2 = Leverage
X3 = Company Size
e = Error

## 4.0 FINDINGS AND DISCUSSION

Based on the results of estimation with multiple linear regression, the results of the analysis in table 1 are obtained:
Table 1 of the estimation results

**Coefficients[a]**

| Model | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|
| | B | Std. Error | Beta | | | Tolerance | VIF |
| (Constant) | 234.361 | 10.616 | | 22.077 | .000 | | |
| ProfitabilityX1) | -.033 | .012 | -.106 | -2.834 | .008 | .994 | 1.006 |
| Leverage(X2) | -4.362 | 2.328 | -.081 | -1.873 | .070 | .736 | 1.359 |
| Company Size (X3) | -7.475 | .324 | -1.002 | -23.103 | .000 | .732 | 1.366 |

a. Dependent Variable: Company Values (Y)
Data Source Processed, 2024

Multiple linear regression analysis is carried out with the aim of determining the direction and magnitude of influence that independent variables have on the variable being analyzed (dependent variable). Based on Table 1 Obtained the equation nlai regestion

$$Y = 234.361 + -0.033\ X1 + -0.4362\ X2 + -7.475\ X3 + e$$

The constant coefficient is equal to 234,361 if the profitability, leverage, and company size are equal to zero then the value of the company decreases by 234,361, the value of the coefficient of 0.033 profitability shows that every 1% increase in profitability can cause a decrease in profitability by 0.33%. The value of the leverage coefficient of 0.4362 indicates that any increase in leverage of 1% can lead to a decrease in profitability by 0.4362%. The value of the coefficient of 0.7475 on the company size shows that every 1% increase leads to a decrease in profitability by 0.7475%.

**Statistical t-test (partially)**

Multiple regression analysis is used to find out whether independent variables, namely Profitability, Leverage, and company size, have an effect on the company's value as measured by Price to book value. to test 3 hypotheses with the following conditions: 1) Profitability Variable (X1). Having a Tcal value of 2,834 > a Ttable of 2,034 and a significant value of 0.00 < 0.05, then H0 is rejected and H1 is accepted, meaning that the profitability variable has a partial negative effect on the company's value. A coefficient value of -0.033 explains that every 1% increase in the profitability variable causes a 3.3% decrease in the company's value. 2). Variable Leverage (X2). Having a Tcount value of 1,873 < a table of 2,034 and a significant value of 0.07 > 0.05, then H0 is accepted and H1 is rejected, meaning that the leverage variable has no significant influence on the company's value. A coefficient value of -4,362 explains that every 1% increase in the leverage variable causes a decrease in the company's value by 4.3%. 3) Variable Company Size (X3). Having a Tcount value of 23,103 > Table 2,034 and a significant value of 0.00 > 0.05, then H0 is rejected and H1 is accepted, meaning that the company size variable has a partial negative effect on the value of the company. The coefficient value of -7,475 explains that every increase in the Company Size variable using the SIZE ratio of 1% causes a decrease in the value of the company by 7.4%.

**Test f statistics (simultaneously)**

Simultaneous (whole) hypothesis testing shows whether independent variables affect dependent variables together obtained in table 2:

Table 2 Simultaneous tests

**ANOVA[a]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 571.277 | 3 | 190.426 | 230.864 | .000[b] |
| | Residual | 27.220 | 33 | .825 | | |
| | Total | 598.497 | 36 | | | |

a. Dependent Variable: Company Value (Y)
b. Predictors: (Constant), Company Size (X3), Profitability(X1), Leverage(X2)
Data Source Processed, 2024

Decision making if the sig value is < 0.05 and Fcal > Variable means that the independent variables together affect the dependent variables. Table 4.8 shows that the significant value of 0.00 < 0.05 and the value of Fcal is 230,864 > Ftable 2,859, then H0 is rejected and H1 is accepted, which means that it can be concluded that the variables of profitability, leverage, and company size have a simultaneous effect on the value of the company.

**Coefficient of determination (R squares)**

The determination coefficient test is basically to measure how far the regression model is able to explain the variation of dependent variables. The value of the determination coefficient between zero and one, the closer to the number one, means that the independent variables provide almost all the information needed to predict the dependent variation. The following are the results of the determination coefficient test in table 3.

Table 3 coefficients of determination

**Model Summary[b]**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | .977[a] | .955 | .950 | .90821 | 1.209 |

a. Predictors: (Constant), Company Size (X3), Profitability (X1), Leverage(X2)
b. Dependent Variable: Company Value (Y)
Data Source Processed, 2024

Table 3 shows that the R-Square value is often used informally as a measure of the goodness of the regression model match representing the relationship pattern between X and Y. Table 4.9 shows that the R-Square is 0.977 or 97%, meaning that the relationship between the independent variable and the dependent variable is 97% while the remaining 3% has a variable relationship outside this study.

**The effect of profitability on company value**

Based on the results of the hypothesis test that has been carried out, the Profitability variable (X1) has a partial negative effect on the Company's Value (PBV). Return On Assets (ROA) can also be referred to as the profitability ratio, which means generating profits from operational activities, which is an indicator of financial performance that shows how efficiently a company manages its resources to generate profits. From the test results, it can be seen that profitability has a negative effect on the company's value. This is related to Signal Theory stating that companies that have better information about their company or it can be said that companies that have good news will be encouraged to convey this information to potential investors so that their company's stock price increases. A company in carrying out business activities will provide results between profits or losses, in this case whatever the company obtains will become information in the stock exchange, when the company makes a profit it will be good news and give a positive response. Signalling theory explains that good financial reports are a signal or sign that the company has also been operating well. The manager is obliged to provide signals about the condition of the company to the owner as a form of responsibility for the management of the company. Thus, this shows that an increased profitability ratio (ROA) succeeds in posting an increasing profit will show that the company is doing well, so it will create a good signal for investors. Because the profitability ratio (ROA) reflects the company's ability to generate profits. Companies that have a high level of profitability are associated with the ability of the company to utilize the resources or assets owned by the company to generate profits, which will later be able to create a high company value and maximize the wealth of its shareholders and will get good signals from outsiders or investors.

**The effect of leverage on the value of a company**

Based on the results of the hypothesis test that has been carried out, the Leverage variable has no effect on the Company Value measured by PBV at the Sharia National Retirement Savings Bank in 2014-2023. it can be concluded that the hypothesis is not accepted which means that Leverage has no partial effect on the Company Value (PBV). This shows that some investors and prospective investors who decide to invest or not invest in the shares of the Sharia National Retirement Savings Bank do not pay attention to the size of the debt or the value of the leverage in the Sharia National Retirement Savings Bank even though the debt of the Sharia National Retirement Savings Bank is relatively high or even greater than its total equity. However, investors will still not consider the risk of the large debt of the Sharia National Retirement Savings Bank. Because investors consider banking that has a high leverage value to be a natural thing where in the banking business most business activities are financed by third-party funds, namely savings, deposits and others (Jusuf, 2014). So that Leverage will not affect the value of the company.

**The effect of company size on company value**

Based on the results of the hypothesis test that has been carried out, the Company Size variable has a significant effect on the Company Value measured by PBV at the Sharia National Retirement Savings Bank in 2014-2023. It can be concluded that the hypothetical Company Size is accepted which means it has a partial effect on the Company Value (PBV). These results explain that the high size of the company will increase the value of the company. This shows that in the size of a large company reflects a company with large growth and will gain ease in entering the capital market. In addition, companies with large growth also increase investor interest in investing their capital. So that it will increase the stock price and will increase the value of the company. The size of the company can affect the value of the company, because a company with a larger size means that the company is experiencing growth. Companies with larger sizes have the opportunity to get more funding sources so that companies will have an easier time achieving their goals. So the bigger the company, the easier it is for the company to get investors so that the company's source of funds also increases. The results of this study are in line with the results of research conducted by Nurul Khoiriyah in a thesis which stated that the size of the company has an influence and is significant on the value of the company (Khoiriyah, 2018).

**The effect of profitability, leverage, company size on company value**

Based on the results of the hypothesis test that has been carried out, namely the simultaneous test (F test), the variables of Profitability, Leverage and Company Size have a significant effect on the Company Value measured by PBV at the Sharia National Pension Savings Bank in 2014-2023. It can be concluded that the hypothesis is accepted which means it has a partial effect on the Company Value (PBV). This study shows that these variables together greatly affect the company's activities to use and utilize the assets owned appropriately and efficiently in generating profits. In line with research. The results of the determination coefficient (R2) test obtained a determination coefficient (R2) value by looking at the adjusted R-Square value of 0.977 or the variation of the independent variable used in the model was able to explain by 97%. While the remaining 3% is influenced or explained by other variables that are not included in this research model. This shows that the higher the company's debt and assets followed by the higher the company's profit, the higher the company's value. So that investors will be targeted to buy shares and the stock price will rise, an increase in stock prices will be followed by an increase in the value of the company (Marosya, 2021).

## 5.0 CONCLUSION

Profitability has a negative & significant effect on the company value (PBV) in the sharia national pension savings bank for the 2014-2023 period. Leverage has no significant effect on the company value (PBV) at the sharia national pension savings bank for the 2014-2023 period. Company Size has a negative and significant effect on the company value (PBV) in the sharia national pension savings bank for the 2014-2023 period. Profitability, Leverage, Company Size simultaneously and significantly affect the Company's Value at the National Pension Savings Bank in 2014-2024.

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