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Research Paper

Effect of Financial Performance and Company Size on Share Value

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Abstract
This study aims to see how financial performance and company size affect stock value. The population of this study is all Indonesian real estate and property companies listed on the Indonesia Stock Exchange between 2015 and 2019. A purposive sampling method was used to collect 19 sample companies. Based on the research findings, the activity variable as a proxy for asset turnover and the firm size variable have a negative and significant effect on stock value, while the profitability variable as a proxy for return on equity and leverage as a proxy for debt to equity. have a positive and significant effect.

Keywords: Price To Book Value, Total Asset Turnover, Return On Equity, Debt To Equity Ratio, and Firm Size.

Abstrak
Tujuan dari penelitian ini adalah untuk melihat bagaimana kinerja keuangan dan ukuran perusahaan mempengaruhi nilai saham. Populasi penelitian ini adalah seluruh perusahaan real estate dan properti Indonesia yang terdaftar di Bursa Efek Indonesia antara tahun 2015 dan 2019. Metode purposive sampling digunakan untuk mengumpulkan 19 sampel perusahaan. Berdasarkan temuan penelitian, variabel aktivitas sebagai proksi perputaran aset dan variabel ukuran perusahaan berpengaruh negatif dan signifikan terhadap nilai saham, sedangkan variabel profitabilitas sebagai proksi return on equity dan leverage sebagai proksi debt to equity. memiliki efek positif dan signifikan.

Kata Kunci: Harga Nilai Buku, Perputaran Total Aset, Laba Atas Ekuitas, Rasio Utang Ekuitas, dan Ukuran Perusahaan.

JEL Classification: G32

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1. Introduction

Many businesses strive to achieve broad financial objectives such as growth, earnings per share, and market share. However, the primary goal of company management should be to maximize the value of shares for investors (Brigham, 2018). Because shareholders are individuals who choose to invest a portion of their income in stocks to achieve long-term financial goals such as retirement savings, housing, or children's education.

Before investing, investors examine the company's performance. Investors will, of course, only invest in companies that have a good track record and can provide benefits to growers' capital. The financial performance of companies that have gone public can be seen in publicly available financial reports. The better a company's finances, the higher the value of shares purchased by investors looking to invest in the company.

The company's financial performance is inextricably linked to performance measurement and evaluation. Performance measurement is the process of evaluating a company's efficiency and effectiveness in operating its business during an accounting period. Measuring the company's financial performance is one of the efforts to connect management's interests with those of investors (in this case, the shareholders). On the one hand, management desires a high reward for performing company management. However, the funders, investors, shareholders, and creditors desire increased welfare and profits through maximum share value. As a result, the company must strive to maintain, improve, and maintain the company's financial performance in order for the share value to remain stable.

Investors can use financial ratios to determine whether a company's financial performance is good or bad. According to Ross (2015), financial ratios are a way to compare and examine the relationships between various parts of financial information. Several financial ratios are commonly used, including:

1) Liquidity ratio or short-term solvency ratio
2) Leverage ratio or long-term solvency ratio
3) Asset management, also known as the turnover ratio
4) Profitability proportion
5) Market value to price ratio

The primary goal of financial management is the well-being of stockholders. Shareholders are the company owners who give management authority to carry out operations or management (Hartono, 2016 in Yanti & Abundanti, 2019). Management is expected to be able to lead the company to good performance, which will increase the company's value and benefit shareholders.

According to Tandelilin (2011), the yardstick used to measure stock value includes price to book value (PBV), which is an alternative approach to determining the fair value of the stock because the market value of the stock should theoretically reflect that book value. Because of this valuation ratio (PBV), stock prices can be measured or compared to their book values. This is due to the valuation ratio accurately describing the financial position required to generate market value above the investment cost.

This PBV ratio demonstrates a company's ability to create value relative to the amount of capital invested by investors and an overview of a stock's potential price movements. The point is that if a stock performs well and its PBV remains low in comparison to the average PBV of shares in the sector, the share price has the potential to rise, and vice versa (Muzayin, 2017).

Total asset turnover (TATO) is a ratio used to calculate the turnover of all assets owned by a company and how much revenue is generated per rupiah of assets. Kasmir (2015:185). According to Brigham (2018: 141), the return on equity of ordinary shares or the return on equity ratio is the net income to equity of ordinary shares that measures the rate of return on investment of ordinary

shareholders. According to Ross (2015: 66), the debt to equity ratio (DER) is the total debt or total debt to equity ratio that includes all debts with all maturities of all creditors. Firm size is a company's size that can influence its share value. The total assets obtained from the company's financial statements are used to calculate the company's size. Investors can see the size of the company through an indicator that the ratio level can describe to make an investment or the amount of investment. An increasing company is defined by an increase in total assets greater than the amount of the company's debt (Rudangga & Sudiarta, 2016).

Based on the preceding, the authors conduct research in the real estate and property sector as listed on the IDX. By utilizing the activity by proxy (TATO), profitability by proxy (ROE), leverage profitability by proxy (DER), and company size ratios.

2. Literature Review and Hypothesis

Total asset turnover (TATO) is an activity ratio used to assess a company's ability to use its assets effectively. An increase in the TATO value can indicate that an operating activity, company performance, or net sales have increased, which can increase a company's profits. Investors will respond positively to the company's increasing profit because it can identify a high share price, ultimately increasing the value of the company's shares. The greater the value of the total assets turnover (TATO) ratio, the more successful the company is in creating value for customers, shareholders, or investors. This explanation is closely related to signaling theory, in which investors can determine a company's value using information obtained from the signal provided by the company. The higher the firm value, the more investors will be interested in investing in funds. As a result, the stock price will rise, resulting in even better financial performance for the company. Studies support this study by Nurianti (2018), Sudaryo et al. (2020), Firdaus et al. (2020), and Harahap et al. (2020), which show that Total Asset Turnover has a significant influence on Share Value.

H1: Total Asset Turnover (TATO) has a significant effect on Share Value

Return on equity (ROE) is a profitability ratio that shows the percentage of net profit available to capital used by the company to describe the company's ability to provide benefits to investors. A high ROE value indicates that the company was able to profit from its available capital. Increased ROE reflects a good company's profitability, which increases the company's selling value. Increasing the company's selling price will increase the number of requests for company stock. Increasing the quantity demanded when supply remains constant will impact the company's stock price, increasing the value of the company's shares. This study is supported by studies conducted by Nurianti (2018), Rudangga and Sudiarta (2016), Lubis et al. (2017), Arifianto and Chabachib (2016), and Marangu & Jangongo (2014), all of which show that the Return on Equity Ratio (ROE) has a significant influence on Share Value.

H2: Return on Equity Ratio (ROE) has a significant effect on Share Value

Debt to equity ratio is used to assess a company's ability to manage its obligations (debt) borne by the company by comparing the ability of the equity company to pay all of its short-term and long-term obligations. In practice, if the results of the company's calculations show that it has a high solvency ratio, this will have an impact because the risk of loss is higher, but there is also the possibility of making a large profit. Conversely, a lower solvency ratio indicates a lower risk of loss, especially when the economy is in decline (Kasmir, 2017). This study is supported by research by Nurianti (2018), Sudaryo et al. (2020), and Firdaus (2020), who found that the Equity Ratio (DER) has a significant influence on Share Value.

H3: Equity Ratio (DER) has a significant effect on Share Value

Company size is a scale that can be calculated using total assets and sales to indicate the company's condition, with the larger company having an advantage in terms of resources and funds obtained for its investment in profits. A company's size can be used to represent its financial characteristics. Large, well-established companies will find it easier to obtain capital in the capital market than small companies because greater access means greater flexibility for large companies. The size of

the company has the potential to influence the company's value. The larger or scale of the company, the easier it is to obtain good internal and external funding sources. Large-scale companies tend to attract investors because they will impact the company's value later, so it is said that the size of a company directly affects the company's value (Rudangga & Sudiarta, 2016). This study is supported by studies conducted by Rudangga and Sudiarta (2016) and Arifianto and Chabachib (2016), which show that a company's size significantly impacts share value.

H4: Firm Size has a significant effect on Share Value

3. Data and Method

This study employs a quantitative approach. The population of this study was all real estate and property sector companies listed on the IDX or IDX from 2015 to 2019, and a sample of 19 companies was obtained using the purposive sampling method. This study relies on secondary data. Panel data analysis was used to analyze the data for this study.

4. Results

Descriptive statistical analysis

Table 1 Results of Descriptive Statistical Analysis

	PBV	TATO	ROE	DER	Size
Mean	0,9264	0,2659	0,1132	0,6567	21174,19
Median	0,8160	0,1871	0,0785	0,5749	10541,25
Maximum	4,8887	5,2489	1,0521	1,8338	179260,88
Minimum	0,0108	0,0116	0,0037	0,0433	250,87
Std.Dev	0,7410	0,5793	0,1552	0,4440	36860,57
Observation	95	95	95	95	95

Source: Processed Data, 2020

In table 1, the number of samples (N) is 95. In the Y variable, namely, share value (PBV), the max value is 4.8887, while the min value is 0.0108. The mean value is 0.9264. The median value is 0.8160, and the standard deviation of 0.7410.

Panel Data Regression Model Analysis Test

Table 2 Results of the Chow-Fixed Effect Model test

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	11.055615	(18,72)	0.0000
Cross-section Chi-square	125.918383	18	0.0000

Source: Processed Data, 2020

According to table 2, the probability value of cross-section F and cross-section Chi-square on Chow test results is 0.0000. Because this value is less than 0.05, H0 is rejected. As a result, the fixed effect model is the best choice for estimating the regression equation (FEM).

Table 3 Results of the Hausman-Fixed Effect Model test

Correlated Random Effects - Hausman Test
Equation: REM
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	12.230658	4	0.0157

Source: Processed Data, 2020

According to table 3, the random cross-section probability value on the Hausman test results is 0.0157. Because this value is less than 0.05, H0 is rejected. As a result, the fixed effect model is the best choice for estimating the regression equation (FEM).

Classical Assumption Test
Multicollinearity Test

Table 4 Results of Multicollinearity test

	PBV	TATO	ROE	DER	SIZE
PBV	1.000000	-0.105669	0.331380	-0.115333	-0.274853
TATO	-0.105669	1.000000	-0.023698	-0.004122	-0.397638
ROE	0.331380	-0.023698	1.000000	0.060572	0.053366
DER	-0.115333	-0.004122	0.060572	1.000000	0.346646
SIZE	-0.274853	-0.397638	0.053366	0.346646	1.000000

Source: Processed Data, 2020

Table 4 shows that there is no independent variable with a value greater than 0.5. As a result of the results, there is no multi correlation between the independent variables in the resulting regression model.

Heteroscedasticity Test

Table 5 Results of the Heteroscedasticity test

- Cross section

Panel Cross-section Heteroskedasticity LR Test
Equation: ORIGINAL
Specification: PBV C TATO ROE DER SIZE
Null hypothesis: Residuals are homoscedastic

	Value	Df	Probability
Likelihood ratio	84.46288	19	0.0000

- Period test

Panel Period Heteroskedasticity LR Test
Equation: ORIGINAL
Specification: PBV C TATO ROE DER SIZE
Null hypothesis: Residuals are homoscedastic

	Value	Df	Probability
Likelihood ratio	11.11908	19	0.9198

Source: Processed Data, 2020

According to the heteroscedasticity test in Table 8, there is a heteroscedasticity factor. The heteroscedasticity test results probability of <0.05. This finding indicates that the error has heteroscedastic symptoms caused by the presence of cross-section (company) data. Meanwhile, the probability value for the period test is 0.9198 > 0.05. This demonstrates that the period does not affect heteroscedasticity (year). As a result, it is possible to conclude that the symptoms of heteroscedasticity are cross sections.

Correlation test

Table 6 Results of the Cross-Correlation test

- Durbin Watson

N	K	d_L	d_U	D	4-d_U	4-d_L	Conclusion
95	5	1.5572	1.7781	0,638231	2,2219	2,4428	There is a positive autocorrelation.

Source: Processe Data, 2020

In table 6, the autocorrelation test results with Durbin-Watson (DW) results show that the D value is 0.638231. The dL value, on the other hand, is 1.5572. It is concluded that there is positive autocorrelation or that the regression model has no autocorrelation problem.

Table 7 Results of Correlation test

Test	Statistic	d.f.	Prob.
Breusch-Pagan LM	364.7272	171	0.0000
Pesaran scaled LM	10.47557		0.0000
Pesaran CD	3.851210		0.0001

Source: Processed Data, 2020

According to table 7, the Breusch-Pagan LM value is 0.0000 with a probability level of 0.05, indicating a cross-correlation. Estimation is performed using white cross-section weighting to overcome autocorrelation in the fixed effect model method.

Multiple Linear Regression Analysis

Table 8 Results of Panel Data Regression Analysis test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	30.97719	5.882345	5.266130	0.0000
TATO	-0.786474	0.140732	-5.588458	0.0000
ROE	0.343929	0.116849	2.943370	0.0044
DER	0.562282	0.074462	7.551278	0.0000
SIZE	-1.011500	0.194334	-5.204958	0.0000
Effects Specification				
Cross-section fixed (dummy variables)				
Weighted Statistics				
R-squared	0.915198	Mean dependent var		1.660221
Adjusted R-squared	0.889286	S.D. dependent var		1.546435
S.E. of regression	0.355454	Sum squared resid		9.097021
F-statistic	35.31988	Durbin-Watson stat		1.417137
Prob(F-statistic)	0.000000			
Unweighted Statistics				
R-squared	0.789580	Mean dependent var		0.926450
Sum squared resid	10.85998	Durbin-Watson stat		1.631649

Source: Processed Data, 2020

The multiple linear regression equation is as follows:

PBV= 30.97719 - 0.786474 TATOit + 0.343929 ROEit + 0.562282 DERit - 1.011500 Sizeit + Eit

Hypothesis Test

Determination Coefficient Test (R^2)

The Adjusted R-squared value is 0.889286 in table 8, indicating that the independent variables (total asset turnover, return on equity, debt to equity ratio, and company size) explain 88.93% of the dependent variable (share value). Other variables not considered in this study's regression equation model influence the remaining 11.07%.

T Test

The T-test or partial test in table 8 is explained as follows:

1. As measured by TATO, activity has a coefficient value of -0.786474, with a probability of 0.0000 <0.01. Thus, activity significantly affects the company's stock value as measured by price to book value according to these findings (PBV).
2. As measured by ROE, Profitability has a coefficient value of 0.343929 and a probability value of 0.0044 <0.01. Thus, profitability significantly affects the company's stock value as measured by price to book value according to these findings (PBV).
3. As measured by DER, Leverage has a coefficient value of 0.562282 and a probability value of 0.0000 <0.01. Thus, leverage significantly affects the company's stock value as measured by the price-to-book value (PBV) proxy.
4. As measured by Ln total assets, firm size has a coefficient value of -1.011500, with a probability value of 0.0000 <0.01. Thus, company size significantly affects share value as measured by price to book value (PBV).

5. Discussion

Effect of Total Asset Turnover (TATO) on Share Value

From the results of this study, the activity variable as a proxy for total asset turnover (TATO) has a significant negative effect on stock value proxied by the price-to-book value (PBV) variable. So that H1 is accepted. The finding of a negative relationship between TATO and share value is caused by the strategy of real estate companies which tend to provide large discounts to increase sales, thereby sacrificing profit margins.

Effect of Return On Equity Ratio on Share Value

From the results of this study, it can be concluded that the profitability ratio variable by proxy for return on equity (ROE) has a significant positive effect on stock value by proxy for the price-to-book value (PBV). So that H2 is accepted. This finding is because the company is considered capable of utilizing the company's equity; the value of these shares will also increase to maximize the value of the company's shares. This study's results align with research conducted by Rudangga & Sudiarta (2016) that ROE has a significant effect on company value.

Effect of Debt To Equity Ratio on Share Value

From the results of this study, the leverage ratio variable with the debt-to-equity ratio (DER) proxy has a significant effect on stock value by the price-to-book value (PBV) proxy. So that H3 is accepted. Because the company is considered capable of utilizing its debt, the better the company is at managing debt, the better the value of the company. So the company will get a high share value. This study's results align with research conducted by Iwan Firdaus (2020) that DER has a significant effect on company value.

Effect of Company Size on Share Value

From the results of this study, it can be concluded that the variable firm size has a significant negative effect on stock value proxied by the variable price to book value (PBV). So that H4 is

accepted. The finding of a negative relationship may be due to the inefficiency of large companies in managing their business.

6. Conclusion

Based on the analysis discussed above, total asset turnover (TATO) significantly negatively affects stock value. The ratio of return on equity (ROE) significantly affects stock value. This result shows that the share prices of real estate and property companies listed on the Indonesia Stock Exchange for the 2015-2019 period will rise in the coming year. The debt-to-equity ratio (DER) has a significant effect on stock value. This finding shows that property and real estate companies listed on the Indonesian stock exchange between 2015 and 2019 had good debt values in the following year. Company size has a significant negative effect on stock value. To get better results, researchers provide suggestions such as including variables not included in this study for future research. Further research can be conducted on other companies listed on the Indonesia Stock Exchange (IDX) in manufacturing, food, beverage, or other sectors. In addition, the studied period will be included in future research to increase the number of samples and observations to provide more accurate results.

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