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THE EFFECT OF FIRM SIZE, LEVERAGE, PROFITABILITY, AND CAPITAL STRUCTURE ON PROPERTIES AND REAL ESTATE FIRM VALUE

Chrisshanti¹, Octayanti Yangihardi², Jennifer Maeve³, Stephanie Angela⁴, Tina Novianti Sitanggang^{5*}, Nurliza Lubis⁶
¹²³⁴⁵Universitas Prima Indonesia - Indonesia
⁶Universitas Samudra - Indonesia

* Corresponding Email: tinanoviantisitanggang@unprimdn.ac.id

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Abstract

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This research aims to determine the effect of the firm size, leverage, profitability, and capital structure of the firm value of service companies in the properties and real estate sub-sector listed on the Indonesia Stock Exchange (IDX) in 2019 – 2022. The independent variables used in this research are the firm size, leverage, profitability, and capital structure. The dependent variable used in this research is firm value with indicators of Tobin's Q ratio. This research uses secondary data with a total sample of 17 companies. The result of this research showed that profitability partially effect the firm value insignificantly. Firm size, leverage, and capital structure does not have a significant partial effect on firm value. While simultaneously showed that firm size, leverage, profitability, and capital structure does not effect the firm value.

Keywords: Firm Size, Leverage, Profitability, Capital Structure, Firm Value

INTRODUCTION

The development of new companies in Indonesia has greatly increased in recent years, so the competition between companies in the business world is getting tighter. One of the companies that currently developing in Indonesia is a property and real estate company. Property and real estate company is one of the service company that listed on the Indonesia Stock Exchange (IDX) and operates in the service development sector which facilitates land development and will become a property product within all of the facilities and infrastructure. The rapid development of a company is one of the challenges for every company to defend the business from various threat. One of the important things is company needs to maintain the shareholder's prosperity (investors) which is described in firm value.

Firm value is defined as the market value that can give maximum shareholder prosperity when the stock prices rise, the higher the firm value will increase the level of investor confidence in the company [1]. Many factors can affect the firm value, such as firm size, leverage, profitability, and capital structure.

Firm size is a scale of measurement that describes the company by the size of the total assets that the company has. The firm size is a reflection of the size (big or small) company from the value of the company's total assets [2]. The bigger the company, the investors' confidence will increase too. This will have an impact on increasing the company's stock price.

Leverage is a level of company ability that is described by the use of company liabilities in carrying out a company's operational activities. The decision to use debt as a source of funding can affect to

continuity of a business [3]. Investors will interpret the use of debt in a company as a company's ability to pay off the debts in the future.

Profitability is a company's ability to generate profits in a certain period. A company with a high profitability value will described that company has good performance prospects and will make investors interested in investing the capital [2].

Capital structure is the comparative description of capital sourced from long-term debts and the company's capital as a source of company financing. Capital structure theory describes a funding policy to determine the balance between liability and equity [4]. The purpose of this policy is to maximize firm value. If the company has a high liability than equity will make a high dividend. The high dividend will increase the stock price. The high dividend will increase the stock price.

The measurement of research phenomenon in this research is: firm size (SIZE) is measured by the natural logarithm of total assets, leverage is measured by debt to asset ratio (DAR), profitability is measured by return on equity (ROE), Capital structure is measured by debt to equity ratio (DER), and firm value is measured by Tobin's Q ratio in property and real estate company listed on Indonesia Stock Exchange.

Code	Year	Firm Size	DA R	RO E	DER	Tobin's Q
BSD E	2019	31,63	0,38	0,09	0,62	0,83
	2020	31,74	0,43	0,01	0,77	0,86
	2021	31,75	0,42	0,04	0,71	0,84
CTR A	2019	31,22	0,51	0,07	1,04	1,04
	2020	31,30	0,56	0,08	1,25	1,02
	2021	31,34	0,52	0,11	1,10	0,97



	2019	27,49	0,50	0,05	1,00	0,61
BCIP	2020	27,54	0,51	0,03	1,04	0,63
	2021	27,51	0,50	0,00	0,99	0,64

Table 1. Research Phenomenon

It can be seen that in 2021 the firm size of BSDE (Bumi Serpong Damai Tbk.) has increased but, the firm value has decreased. Meanwhile, in 2021 the firm size of BCIP (Bumi Citra Permai Tbk.) has decreased but, the firm value has increased. In 2021 the Debt to Asset Ratio (DAR) of BCIP has decreased but, the Firm value has increased. Meanwhile, in 2020 the DAR of CTRA (Ciputra Development Tbk.) has increased but, the firm value has decreased.

It can be seen that in 2020 the Return on Equity Ratio (ROE) of BSDE has decreased but, the firm value has increased. Meanwhile, in 2021 the ROE of BSDE has increased but, the firm value has decreased. In 2020 the Debt to Equity Ratio (DER) of CTRA has increased but, the firm value is decreased. Meanwhile, in 2021 the DER of BCIP has decreased but, the firm value is increased.

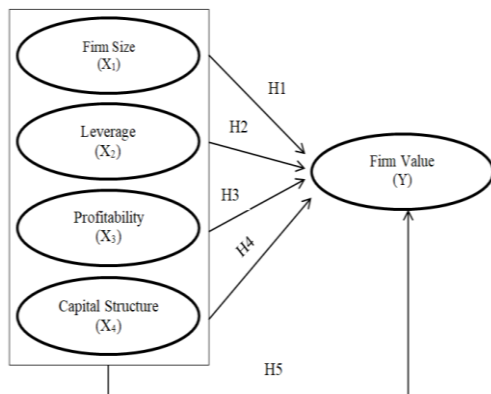


Figure 1. Research Framework

RESEARCH METHODS

This research uses a type of quantitative research. Quantitative

research is statistical research that is expressed by a number. The data used in this research is secondary data that is from annual financial report data from 2019 until 2022 sourced from www.idx.co.id. The population in this research is service companies from the property and real estate sector that were listed in the Indonesia Stock Exchange from 2019 until 2022.

No	Information	Amount
1	Properties and real estate sector listed on IDX in 2019 – 2022	81
2	Companies that did not publish financial reports in the 2019 – 2022	(19)
3	Companies that did not profit in the 2019 – 2022	(43)
Number of samples		19
Data detected as outlier data		(2)
Total sample		17
Total sample in this research (17 x 4 year)		68

Table 2. Sample Selection Criteria

RESULTS AND DISCUSSION

	Descriptive Statistics				
	N	Minimum	Maximum	Mean	Std. Deviation
SIZE	68	27.13	31.81	29.5527	1.32253
DAR	68	.08	.79	.3660	.17359
ROE	68	.00	.24	.0643	.05247
DER	68	.09	3.79	.7623	.76757
TOBIN'S Q	68	.33	2.96	.9266	.42105
Valid N (listwise)	68				

Table 3. Descriptive Statistics

1. The variable SIZE (X1) has the minimum value of 27,13 from PT. Nusantara Almazia Tbk. In 2022, the maximum value was 31,81 from PT. Bumi



Serpong Damai Tbk. In 2022, the average value was 29,5527 and the standard deviation was 1,32253.

2. The variable DAR (X2) has the minimum value of 0,08 from PT. Roda Vivatex Tbk. In 2020, the maximum value was 0,79 from PT. PP Properti Tbk. In 2022, the average value was 0,3660 and the standard deviation was 0,17359.

3. The variable ROE (X3) has the minimum value of 0,00 from PT. Bumi Citra Permai Tbk. In 2021, the maximum value was 0,24 from PT. Puradelta Lestari Tbk. In 2020, the average value was 0,0643 and the standard deviation was 0,05247.

4. The variable DER (X4) has the minimum value of 0,09 from PT. Roda Vivatex Tbk. In 2020, the maximum value was 3,79 from PT. PP Properti Tbk. In 2022, the average value was 0,7623 and the standard deviation was 0.76757.

5. The variable TOBIN’S Q (Y) has the minimum value of 0,33 from PT. Suryamas Dutamakmur Tbk. In 2020, the maximum value was 2,96 from PT. Nusantara Almazia Tbk. In 2019, the average value was 0,9266 and the standard deviation was 0.42105.

One-Sample Kolmogorov-Smirnov Test		
Unstandardized Residual		
N		76
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	.99088561
Most Extreme	Absolute	.245
Differences	Positive	.245
	Negative	-.148
Kolmogorov-Smirnov Z		2.133

Asymp. Sig. (2-tailed) .000

Table 4. Normality Test Before Outlier

It shows a significance of $0,000 < 0,05$. This means the data is not distributed normally. Therefore the data sample must be carried out for outlier data.

One-Sample Kolmogorov-Smirnov Test		
Unstandardized Residual		
N		68
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	.39263212
Most Extreme	Absolute	.158
Differences	Positive	.158
	Negative	-.101
Kolmogorov-Smirnov Z		1.300
Asymp. Sig. (2-tailed)		.068

Table 5. Normality Test After Outlier

It shows a significance of $0,068 > 0,05$. This means the data is distributed normally with 68 samples..

Coefficients ^a		
Model	Collinearity Statistics	
	Tolerance	VIF
1	(Constant)	
	SIZE	.632 1.583
	DAR	.172 5.806
	ROE	.648 1.543
	DER	.201 4.986

a. Dependent Variable: TOBIN'S Q

Table 6. Multicollinearity Test

It shows the value obtained from tolerance on the fourth independent variable: SIZE (X1), DAR (X2), ROE



(X3), and DER (X4) bigger than 0,10. The value obtained from VIF on the fourth independent variable: SIZE (X1), DAR (X2), ROE (X3), and DER (X4) smaller than 10. It can be concluded that multicollinearity does not occur in this research.

	Unstandardized Residual
Test Value ^a	-.06354
Cases < Test Value	34
Cases >= Test Value	34
Total Cases	68
Number of Runs	32
Z	-.733
Asymp. Sig. (2-tailed)	.463

a. Median

Table 7. Autocorrelation Test

It shows the value obtained from Asymp. Sig. (2-tailed) 0,463 > 0,05. It can be concluded that autocorrelation does not occur in this research.

Coefficients ^a						
Model	B	Std. Error	Beta	T	Sig.	
						1 (Constant)
	SIZE	-.057	.031	-.254	-1.833	.071
	DAR	-.863	.457	-.501	-1.890	.063
	ROE	-.679	.779	-.119	-.872	.387
	DER	.082	.096	.209	.852	.397

a. Dependent Variable: ABS_RES

Table 8. Heteroscedasticity Test

It shows the value obtained from Sig. on the fourth independent variable: SIZE (X1), DAR (X2), ROE (X3), and DER (X4) bigger than 0,05. It can be concluded that heteroscedasticity does not occur in this research.

Coefficients ^a						
Model	B	Std. Error	Beta	t	Sig.	
						1 (Constant)
	SIZE	-.015	.047	-.046	-.313	.756
	DAR	-.407	.687	-.168	-.593	.555
	ROE	2.986	1.171	.372	2.550	.013
	DER	.144	.144	.263	1.002	.320

a. Dependent Variable: TOBIN'S Q

Table 9. Multiple Linear Regression Analysis

The multiple linear regression analysis in this research is:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

$$Y = 1,208 - 0,015 \text{ SIZE} - 0,407 \text{ DAR} + 2,986 \text{ ROE} + 0,144 \text{ DER} + e$$

Based on the multiple linear regression analysis equation above, it can be concluded that:

1. The variable Firm Size (X1) is -0,015 and the variable Leverage (X2) is -0,407 which has a relation with a negative direction to the firm value.
2. The variable Profitability (X3) is 2,986 and the variable Capital structure (X4) is 0,144 which has a relation with positive direction to the firm value.

Model Summary



Model	R	R Square	Adjusted	Std. Error of
			R Square	the Estimate
1	.361 ^a	.130	.075	.40490483

a. Predictors: (Constant), DER, ROE, SIZE, DAR

Table 10. Coefficient of Determination

It shows the R square value is 0,130 or equal to 13% which means the Firm Size, Leverage, Profitability, and Capital structure have a 13% influence on the firm value. The 87% were influenced by other variables that were not studied in this research.

ANOVA ^b						
Model		Sum of	Mean	F	Sig.	
		Squares	df			Square
1	Regression	1.549	4	.387	2.362	.063 ^a
	Residual	10.329	63	.164		
	Total	11.878	67			

a. Predictors: (Constant), DER, ROE, SIZE, DAR

b. Dependent Variable: TOBIN'S Q

Table 11. Simultaneous Test (F Test)

It shows that the F count is 2,362 smaller than the F table 2,52 and the significance value 0,063 > 0,05. It can be concluded that the fifth hypothesis (H5) which states the Firm Size, Leverage, Profitability, and Capital Structure have simultaneously affected the firm value in the Properties and Real Estate sub-sector from the service company listed on the Indonesia Stock Exchange for the 2019 – 2022 period was rejected.

Model	Coefficients ^a					
	Unstandardized		Standardized		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	1.208	1.287			.939	.351

SIZE	-.015	.047	-.046	-.313	.756
DAR	-.407	.687	-.168	-.593	.555
ROE	2.986	1.171	.372	2.550	.013
DER	.144	.144	.263	1.002	.320

a. Dependent Variable: TOBIN'S Q

Table 12. Partial Test (T Test)

The T table value is 1,999 and the level of significance is 0,05. It can be concluded as follows:

1. The variable SIZE (X1) has Tcount - 0,313 and sig. value 0,756 which is -0,313 < 1,999 and 0,756 > 0,05. This means that the Firm Size has no significant effect on the Firm Size.
2. The variable DAR (X2) has Tcount - 0,593 and sig. value 0,555 which is -0,593 < 1,999 and 0,555 > 0,05. This means that the Leverage has no significant effect on the Firm Size.
3. The variable ROE (X3) has Tcount 2,550 and sig. value 0,013 which is 2,550 > 1,999 and 0,013 < 0,05. This means that the Profitability has an insignificant effect on the Firm Size.
4. The variable DER (X4) has Tcount 1,002 and sig. value 0,320 which is 1,002 < 1,999 and 0,320 > 0,05. This means that the Capital Structure has no significant effect on the Firm Size.

The Effect of Firm Size on Firm Value

Based on the partial test result, it can be concluded the variable Firm Size has no significant effect on the Firm Size. The H1 is rejected and the H0 is accepted. This is in line with previous research by [5] the result is the Firm Size has no effect on Firm value. The firm size is assessed from the total assets for the operational activities. A large company requires large operational costs so, the company will get the funds from external parties. This will



raise investor concerns due to the lack of solvability between debt and asset. The results of this study are also not in line with research by [6], where the firm size affects the firm value because the bigger the firm size will attract investor's interest to investing.

The Effect of Leverage on Firm Value

Based on the partial test result, it can be concluded the variable Leverage has no significant effect on the Firm Size. The H2 is rejected and the H0 is accepted. This is in line with previous research by [7] the result is the Leverage has no effect on Firm value. If the company's debt is high or low and the company cannot manage it well, the company will not be able to repay the loans to external parties. This does not guarantee an increase in firm value. The results of this study are also not in line with research by [8]. A company that can manage the leverage well can increase the firm value.

The Effect of Profitability on Firm Size

Based on the partial test result, it can be concluded the variable Profitability has insignificant effect on the Firm Size. The H3 is accepted and the H0 is rejected. This is in line with previous research by [9] the result is the Profitability affects on Firm Value. Profitability measures a company's ability to earn profits from equity dan invested capital. A company with high profitability will provide the company's prosperity. The results of this study are also not in line with research by [10] because the company that experiences increased profitability will use it as retained earnings and not distribute it to investors. This is considered by investors as a negative signal.

The Effect of Capital Structure on Firm Size

Based on the partial test result, it can be concluded the variable Capital Structure has no significant effect on the Firm Size. The H4 is rejected and the H0 is accepted. This is in line with previous research by [11] the result is the Capital Structure has no effect on Firm Value. The capital structure is funding activities with long-term debt. Non-optimal use of debt will have a negative impact on the company. The results of this study are also not in line with research by [12] because the use of debt is considered by investors that the company has a good prospect in the future.

The Effect of Firm Size, Leverage, Profitability, and Capital Structure on Firm Size

Based on the simultaneous test result, it can be concluded the Firm Size, Leverage, Profitability, and Capital Structure have no effect on the Firm Value. The H5 is rejected and the H0 is accepted.

CONCLUSION

After the result of this research, it can be concluded as follows:

1. The Firm Size has no significant effect on the Firm Size partially in the properties and real estate sub-sector from service companies listed on the Indonesia Stock Exchange (IDX) 2019 – 2022 period.
2. The Leverage has no significant effect on the Firm Size partially in the properties and real estate sub-sector from service companies listed on the Indonesia Stock Exchange (IDX) 2019 – 2022 period.
3. The Profitability has insignificant effect on the Firm Size partially in the properties and real estate sub-sector from service companies listed on the Indonesia Stock Exchange (IDX) 2019 – 2022 period.
4. The Capital Structure has no significant effect on the Firm Size partially in the



properties and real estate sub-sector from service companies listed on the Indonesia Stock Exchange (IDX) 2019 – 2022 period.

5. The Firm Size, Leverage, Profitability, and Capital Structure do not affect the Firm Value simultaneously in the properties and real estate sub-sector from service companies listed on the Indonesia Stock Exchange (IDX) 2019 – 2022 period.

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