JEMSI (Jurnal Ekonomi, Manajemen, dan Akuntansi)
E-ISSN: 2579-5635, P-ISSN: 2460-5891
Volume 9 (6) Desember Tahun 2023, Hal 2723-2729.

Analysis Of The Influence Of Company Size, Good Corporate Governance And Profitability On The Value Of Idx-30 Companies Listed On The Indonesian Stock Exchange

Uli Wildan Nuryanto
Prodi Magister Manajemen, Universitas Bina Bangsa, Indonesia
uli.wildan11@gmail.com

Lailatun Nafisa
Prodi Akuntansi, Institut Teknologi dan Bisnis ITB Yadika Pasuruan, Indonesia
nafisa.rubai@gmail.com

Ahmad Junaidi
Prodi Ilmu Administrasi Publik, Institut Ilmu Sosial Dan Manajemen STIAMI, Indonesia
ahmadjunaidi76588@gmail.com

Mustangin
Prodi Manajemen, Universitas Jayabaya, Indonesia
mustangin_amin@yahoo.com

Suyadi
Prodi Akuntansi, Universitas Jayabaya, Indonesia
suyadi.05@gmail.com

Article's History:

Received 11 Oktober 2023; Received in revised form 24 Oktober 2023; Accepted 12 November 2023; Published 1 Desember 2023.

Suggested Citation:

Nuryanto, U. W., Nafisa, L., Junaidi, A., Mustangin., & Suyadi. (2023). Analysis Of The Influence Of Company Size, Good Corporate Governance And Profitability On The Value Of Idx-30 Companies Listed On The Indonesian Stock Exchange. JEMSI (Jurnal Ekonomi, Manajemen, dan Akuntansi). JEMSI (Jurnal Ekonomi, Manajemen, Dan Akuntansi), 9 (6). 2723-2729. https://doi.org/10.35870/jemsi.v9i6.1713

Abstract:

The purpose of this study is to determine whether a company's size, profitability, and level of corporate governance affect its overall value. The method that the researchers in this study have selected is called purposeful sampling. The IDX-30 enterprises that are listed on the Indonesia Stock Exchange comprise the population of this study. The data used in this study are secondary. Two methods are available to researchers for gathering the data for analysis: documentation and a review of existing literature. This study's analytical approach makes use of quantitative analysis methods that are handled by SPSS. This study employed traditional assumption test analysis, model testing, and hypothesis testing. The following conclusion can be drawn from the presented research results: The value of the corporation is unaffected by good corporate governance as demonstrated by independent commissioners. There is no correlation between management ownership and good corporate governance and the value of the company. There is no correlation between institutional ownership and good corporate governance and a company's worth. The ROA's projection of profitability affects the company's worth. The ROE's projection of profitability raises the value of the enterprise. The worth of a corporation is independent of its size.

Keywords: good corporate governance, profitability, company size, company value, Indonesia Stock Exchange.

Introduction

Gaining a higher company value is crucial for any business as it can boost the confidence of investors. Examining changes in share prices published on the IDX is typically how company value is determined. Share price is a condition under which a company evaluates itself. Rising share prices will attract investors' attention when investing in the company. This is one of the main goals for the company, because good corporate value can help the company's performance in the future, whether it experiences profits or losses. In running a company, conflicts often occur between the company owner and management, which are often called agency problems. Relevant to previous research, which states that managers often carry out opportunistic behavior to benefit certain parties, even themselves, which can result in agency conflicts. With potential conflicts of interest that can arise, principals must monitor managers' decisions; however, this can increase agency costs, which can reduce company performance. Therefore, companies must be wise in balancing the costs associated with agency relationships to improve company performance (Putra et al., 2022).

A company's worth is used to draw in potential investors and can be used to forecast the fortunes of the business in the future. The ability to make decisions is the most crucial factor in a company's value enhancement. For instance, choices regarding expenses that will be utilized to finance business activities. According to the signal theory, businesses can provide performance data and give investors a signal that enables them to provide an overview of the company's future business prospects, so increasing the value of the business. A company's value will rise with high share prices, and investors will enjoy greater wealth. poor share prices might lead to a poor company value and give investors the impression that the business is not very good. As a result, the value of the company's assets, which are genuinely impacted by investment opportunities, is reflected in the share price. Opportunities for investment will give a good indication of the company's potential for growth, which could raise the share price. The use of corporate governance inside a business can impact its value growth since improved corporate governance can raise the business's efficiency, which in turn can boost earnings and value (Nuryanto et al., 2020). It is concluded from the findings of earlier studies on corporate governance and company value that corporate governance increases company value. The value of a corporation is negatively impacted by corporate governance.

Literature Review

In other words, a system that governs and controls the corporation is known as good corporate governance. It consists of a set of laws that control the relationship between shareholders, creditors, the government, and stakeholders through rights and obligations. Good corporate governance, or GCG, depends on corporate control. An organization can grow and become more dependable by implementing GCG. In the context of businesses, good corporate governance (GCG) is crucial since it affects the variables that either raise or decrease a company's earnings. Company performance will rise in the event that corporate governance is sound. The relationship between management and owner, wherein management, as an agent, is morally responsible for optimizing the principal's profits and, in return, will receive compensation in accordance with the contract, can be used to explain the application of agency theory-based corporate governance. The link between management (the agent) and the principle (the shareholder) is the foundation of agency theory. Since the two sides are independent of one another and want the greatest possible profit, this is not achievable (Riyanti & Munawaroh, 2020). Because the parties are not together, there are competing interests. An organization needs strong corporate governance. By enhancing and maintaining competitive business continuity and long-term health, GCG implementation boosts stakeholder, investor, and shareholder confidence. A system of good corporate governance is one that manages and oversees a business, which in turn can boost the business's value for its owners. Value addition for all stakeholders is the goal of sound corporate governance. This is understandable given that effective corporate governance may boost business performance, which raises the company's added value and valuation and raises company earnings. Put differently, corporate governance serves as a means of conveying the views of the shareholders, management, and board of directors (Nuryanto et al., 2020).

The profitability variable is the second factor that affects a company's worth. The ability of a business to turn a profit with the capital or assets it has is referred to as profitability. High profitability serves as evidence that the business can make large sums of money. A company that has a high profitability ratio will undoubtedly attract investors looking to make capital investments. Naturally, a company's share price will rise in response to increased investor interest, and this will ultimately raise the company's worth. Profitability can also be used to characterize a company's performance. The ability of a business to turn a profit is known as profitability. A company's capacity to turn a profit can be used to gauge how well its management is doing, as profitability is a key indicator of performance. Depending on how the profit from capital or assets is compared to one another, there are several methods to evaluate a company's profitability. Profitability is a measure of management effectiveness, which is demonstrated by the creation of profits while overseeing the assets of the business (Seputan et al., 2022). A higher level of profitability as reported in the financial accounts indicates both a strong performance and improved prospects for the organization going forward. Greater investor money is reflected in the company's better outcomes, and the company's future prospects are thought to be the most promising when the profitability figure in the financial report is higher. Investors see this growth outlook as an indication that the company's worth will rise, and this view is reflected in the rise in share prices. Return on assets (ROA), which measures the company's capacity to turn a profit over a specific time period utilizing its assets, can be used to determine profitability. Return on assets (ROA) is a measure of how well a business uses its facilities to make profits. A greater ROA indicates that the business is more efficient at generating profits, which raises the value of the business and maximizes shareholder wealth. Moreover, this return on equity (ROE) ratio demonstrates the business's capacity to produce a profit using its own funds after taxes. To ascertain the efficacy and efficiency of the corporate management's own capital management, this ratio is crucial for shareholders (KR et al., 2023).

The company size variable is the next one that affects company value. The overall assets that the company possesses reveal the size of the business. More assets and money are required for the company to continue operating its business operations correspond with the size of the organization. When a company's total assets grow faster than its total debt, it is said to have increased in value. A company's size can be defined as the quantity or size of its assets. Growth in size will facilitate the company's entry into the capital market and facilitate its ability to raise capital from investors (Silvia & Menge, 2021). The money raised can be put into the day-to-day operations of the business, which will eventually impact the business's worth. A large, expanding company's size can be a good indicator of its potential earnings in the future, and investors can benefit from knowing that financing is easy to come by and can affect the company's valuation. Company size can also influence company value. The benchmark for a company's size or scale can be shown by the size of its assets. In general, large companies have assets of large value (Nafisa, 2021). Theoretically, large companies have greater certainty compared to small companies. This reduces the company's level of uncertainty regarding its future prospects. This kind of condition is very beneficial for investors in predicting the risks that might be faced if the investor invests in that company (Zain, 2021).

Methodology

Purposive sampling is the technique that the researchers in this study have chosen. The selection of subjects in the purposive sampling method is based on certain traits or characteristics that are considered to have a close relationship with previously known characteristics of the population. Because this approach is pertinent to the design they have conducted, researchers favor it. The IDX-30 enterprises that are listed on the Indonesia Stock Exchange comprise the population of this study. The data used in this study are secondary. Two methods are available to researchers for gathering the data for analysis: documentation and a review of existing literature. Documentation is the process of gathering information by keeping track of items pertaining to the research variables. To generate data pertaining to the variables under investigation, scholars get information from books, journals, and websites. The majority of the data used in this study came from accounting journals and direct downloads of the financial reports of the 30 IDX companies that are listed on IDX through the company's official website and the website www.idx.co.id. This study's analytical approach makes use of quantitative analysis methods that are handled by SPSS. This study employed traditional assumption test analysis, model testing, and hypothesis testing. The classical assumption test is needed to detect whether or not there are deviations from the classical assumptions of the multiple linear regression equation that will be used.

Case studies

The projection of good corporate governance by independent commissioners has a significance value of 0.6 and a t-calculated value of -0.5. The significance value is > 0.05, as indicated by this value. This number indicates that the value of the company is unaffected by sound corporate governance as demonstrated by independent commissioners. The study's findings demonstrate that H1 is not supported since the independent commissioner variable has no bearing on the value of the company. This is due to the fact that the independent commissioner's size has no bearing on the company's worth. Independent commissioners are, in theory, in the best position to supervise management practices, establish sound corporate governance, and offer management guidance. The job of independent commissioners is to establish efficient business management that can lower false financial reporting, so raising the worth of the company. Nevertheless, the negative results indicate that there are discrepancies with the idea. This occurs because the commissioners' independence is unaffected by outside forces, and the company's worth is unaffected by their capacity to make decisions that are in the best interests of the business. The existence of independent commissioners in sample companies is carried out only to comply with regulations issued by the IFC, with a requirement for the proportion of independent commissioners to be 30% of the number of commissioners, and the monitoring duties carried out by independent commissioners are less than optimal or not yet effective in monitoring management so that they do not take actions that could be detrimental to the company.

This proves that the data in the field contradicts the theory used. In order to decrease financial reporting fraud, boost the efficacy of oversight, and work toward raising the caliber of financial reports, businesses must, therefore, strengthen the independence of independent commissioners. Effective oversight reduces the likelihood of management engaging in financial reporting fraud. In this manner, investors will be more inclined to believe in investing in the firm and the quality of financial reports will also improve, raising the share price and increasing the overall worth of the business. The study's findings are consistent with agency theory, which holds that the owner supervises the business to prevent them from falsifying their financial records. since having independent commissioners present effectively aids in lowering the likelihood of agency disputes. One of them is that financial report manipulation will actually make investors less confident. The study's findings support earlier studies that found independent commissioners have little bearing on a company's worth.

The estimated t-value for managerial ownership of good corporate governance is -0.8, and the significance value is 0.4. The significance value is > 0.05, as indicated by this value. This result indicates that managerial ownership, as a projection of strong corporate governance, has no bearing on the value of the company. The study's findings demonstrate that H2 is not supported since the management ownership variable has no bearing on the value of the organization. This is so because the value of the company is unaffected by the extent of management ownership. The interests of managers and shareholders can be equalized by management ownership, so actions made by managers will directly affect them. Because managers who own shares will suffer losses as a result of their ownership if their decisions cause the company's value to decline, managerial ownership is a tool for improving management performance. The reason why managerial ownership has no effect on company value is because management owns a very small percentage of shares in IDX-30 companies. As a result, management does not receive the expected profits associated with ownership of the company and is therefore unable to improve performance as planned. It is hoped that it won't have an impact on the company's worth. The study's findings are consistent with the agency theory, which holds that giving managers a stake in their organization will boost its worth. Shareholders in the company will typically encourage management to work for the company's advancement and betterment. By doing this, the possibility of agent activity that is detrimental to stockholders can be decreased. The findings of this investigation support earlier findings that it has no bearing on the value of the company.

The institutional ownership model of good corporate governance has a computed t-value of -1.1 and a significance value of 0.3. The significance value is > 0.05, as indicated by this value. These criteria lead to the conclusion that institutional ownership, which promotes excellent corporate governance, has no bearing on the value of the company. The study's findings demonstrate that H3 is not supported since the institutional ownership variable has no bearing on the value of the company. This is so because the value of the company is unaffected by the amount of institutional ownership. One tool that can help lessen agency conflict, one of the barriers to increasing a company's value, is institutional ownership. Because institutions typically spend large sums of money in a firm, they are able to keep an eye on managers' performance. As a result, managers constantly take institutional shareholders' opinions into account when making decisions. The findings of this study suggest that institutional ownership has no bearing on the value of the company because institutional ownership's supervisory role has little bearing on the evaluation of managers' performance. Institutional ownership also has little effect on the value of the company since institutional shareholders are not involved in manager decision-making. The study's findings are consistent with agency theory, which holds that institutional ownership plays a significant role in reducing agency conflicts between managers and shareholders. A company's institutional ownership will promote closer monitoring of management effectiveness. The study's findings are in line with earlier investigations that found institutional ownership has no bearing on a company's worth.

The computed t-value for profitability as predicted by ROA is -2.9, and the significance value is 0.01. The value indicates that the significance level is less than 0.05. This number suggests that ROA-projected profitability has an impact on the value of the company. The study's findings demonstrate that H4 is acceptable since the ROA variable affects the value of the company. This is due to the fact that a higher return on assets (ROA) translates into a higher net profit per rupiah of funds included in total assets. Knowing ROA can help you determine how well the IDX-30 corporation uses its assets to produce profits from operations. The high or low value of a company's return on assets (ROA) might impact its worth among IDX-30 firms. A corporation's worth will rise in response to a high ROA level. A high return on assets (ROA) is a sign that a business can generate significant profits and is viewed favorably by investors as it suggests that the business may have promising future prospects. Because earnings power is a measure of the predicted level of future corporate profits, there is a relationship between ROA and company valuation. Earnings power is acknowledged as a key component in the valuation of a company. Before making a capital investment in the company, investors are drawn to return on assets, or ROA. In order to determine the company's worth, investors will first look at the ROA level. Profit maximization is what's done to raise the value of the company. The study's findings are consistent with signal theory, which holds that businesses with high ROA can use ROA to convey a good signal to investors. A high return on assets (ROA) indicates that the business can turn a profit in line with its assets. This may be seen as evidence that the company's management is capable of overseeing its resources and presents promising prospects for expansion. The study's findings support earlier research that demonstrates how ROA affects a company's worth.

The profitability estimated by ROE has a significance value of 0.01 and a t-calculated value of 2.6. The value indicates that the significance level is less than 0.05. This number suggests that ROE-projected profitability has a favorable impact on the value of the company. The study's findings demonstrate that H5 is acceptable since the ROE variable increases the value of the company. This is due to the fact that a company's ability to manage its capital to produce returns for shareholders is directly correlated with its ROE. The findings of this study corroborate the signal theory's claim that trustworthy businesses will give out unambiguous signals, which are crucial for making decisions and investments. Potential investors may receive positive or negative indications. Thanks to the signals sent to shareholders, this can help prospective investors make good selections. A profitability measure called return on equity (ROE) displays the net profit available for shareholder capital that the business has utilized to illustrate its ability to pay profits to capital owners. Return on equity (ROE), which measures profitability, has an impact on a company's valuation because higher ROE values indicate highly productive operations, which leads investors to believe that the business will generate a profit eventually. This will make the business even more appealing to potential investors. Increasing the company's attractiveness raises its appeal to investors because higher earnings mean higher levels of revenue. As a result, one of the elements influencing corporate value is return on equity. The study's findings are consistent with signal theory, which holds that a high ROE indicates to investors that a business is managing its capital well. The study's findings support earlier studies that found a favorable correlation between ROE and firm value.

The significance value for company size is 0.4 and the t-calculated value is -0.9. The significance value is > 0.05, as indicated by this value. This number indicates that there is no relationship between firm size and value. The study's findings demonstrate that H6 is not supported since there is no relationship between the firm size variable and company value. This is so because the company's worth is unaffected by its size. It's possible that a company's size such as its total assets or annual revenue doesn't always determine how much it is worth. This implies that the value of small businesses is not always greater than that of large businesses, and vice versa. A company's worth may also be influenced by other elements like competitive advantages, inventive goods or services, or effective management. Some tiny businesses can generate a lot of value despite their relatively modest size because they place more of an emphasis on innovation and are more adaptable to changes in the market. The amount of bureaucracy and operational complexity that come with being a huge firm can occasionally be a hardship. This could lower productivity and lower the value of the company. The study's findings are consistent with the signal theory, which states that businesses with rapid development will send out encouraging signals to potential investors, piqueing their interest in funding these businesses. The study's findings support earlier research, which indicates that there is a positive relationship between firm value and the company size variable.

Conclusion

Drawing on the previously mentioned research findings, the following conclusion can be made: The first research hypothesis holds that the value of a company is unaffected by effective corporate governance as perceived by independent commissioners. The study's findings demonstrate that H1 is not accepted. The study's second hypothesis holds that management ownership, as a proxy for sound corporate governance, has no bearing on the value of the company. the worth of the business. This study's findings demonstrate that H2 is rejected. The third study hypothesis posits that there is no discernible impact of institutional ownership on effective corporate governance on the value of the company. This study's findings demonstrate that H3 is not accepted. The impact of ROA-projected profitability on firm valuation is the fourth hypothesis in this study. The study's findings support the acceptance of H4. The research's fifth hypothesis states that a company's value is positively impacted by profitability as measured by ROE. The study's findings support the acceptance of H5. The sixth hypothesis in this study is that the value of a company is unaffected by its size. The investigation's findings demonstrate that H6 is disproved. It is envisaged that future researchers will be able to present research by taking into account the following factors, given the current limitations: Future study, according to the researcher, should not be restricted to the IDX 30 companies listed on the IDX, but should instead use research samples from other stock index companies. Additional research, according to researchers, may add modifications to additional variables like the dividend policy, capital structure, leverage, corporate governance perception index, and so forth. The research year range can be changed or added by future researchers.

References

Putra, C. G. I., Manuari, R. A. I., & Puspayanti, D. K. N. (2022). The Influence of Corporate Governance on the Profitability and Value of Manufacturing Companies Listed on the Indonesia Stock Exchange (BEI). *Wacana Ekonomi Jurnal Ekonomi Bisnis dan Akuntansi*, 21(1), 105–118.

Nuryanto, U. W., Salam, A. F., Sari, R. P., & Suleman, D. (2020). Pengaruh Rasio Kecukupan Modal, Likuiditas, Risiko Kredit dan Efisiensi Biaya Terhadap Profitabilitas Pada Bank Go Public. *Jurnal Akuntansi Dan Keuangan*, 7(1), 1-9.

Riyanti., & Munawaroh, A. (2020). Managerial Ownership Institutional Ownership Dividend Policy Company Size and Its Effect on Company Value. *Jurnal Muhammadiyah Manajemen Bisnis,* 2(1).

Nuryanto, U. W., Mz, M. D., Sutawidjaya, A. H., & Saluy, A. B. (2020). The impact of social capital and organizational culture on improving organizational performance. *International Review of Management and Marketing*, *10*(3), 93.

Seputan, J. A., Saerang, S. I., & Tasik, D. H. H. (2022). Capital Market Reaction to the Announcement of the First Case of the Delta and Omicron Variants of the Covid-19 Virus in Idx 30 Index Companies on the Indonesian Stock Exchange. *Jurnal Emba*, 10(4), 85-94.

KR, M. Y. A. R. A., Saputra, E. K., Nafisa, L., & Nainggolan, H. (2023). The Role of Transactional Leadership, Compensation and Working Environment on Employee Job Satisfaction in Fertilizer Industry. *JEMSI (Jurnal Ekonomi, Manajemen, dan Akuntansi)*, *9*(2), 251-259.

Silvia, M., & Menge, C. (2021). The Influence of Good Corporate Governance and Profitability on Company Value.

3(2), 398–406.

Nafisa, L. (2021). Analisis Metode Perhitungan Harga Pokok Produksi pada Home Industri Sepatu Kulit. *Jurnal Indonesia Sosial Teknologi*, *2*(05), 843-850.

Zain, R. N., W. (2021). Implementation of CSR Activities from a Stakeholder Theory Perspective at Wika Teaching. *Jurnal Abiwara: Jurnal Vokasi Administrasi Bisnis*, 3(1), 102–107.