The Influence of Profitability on Company Value With Company Size as An Intervening Variable in Telecommunications Companies Listed on The BEI

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Abstract:
The phenomenon that occurred during the Covid 19 pandemic was that many telecommunications companies that went public developed well, whereas during the pandemic, on the other hand, many companies experienced large losses and even went bankrupt. The problem in this research aims to determine the effect of profitability on company value with company size as an intervening variable in telecommunications companies listed on the IDX for the 2019-2021 period. The type of research used is quantitative research with secondary data sources. The population in this research is 19 telecommunications service companies listed on the Indonesia Stock Exchange for the 2019-2021 period. The sample was taken using a purposive sampling technique as many as 16 companies that met the criteria. The data analysis technique uses regression analysis techniques with path analysis. The research results show that profitability has an effect on company size, company size has no effect on company value, and profitability has no effect on company value through company size.

Keywords:
Profitability, company size, company value

JEL: A10, M10, M11

INTRODUCTION

The phenomenon that occurred during the Covid-19 pandemic was that many telecommunications companies went public and developed amidst the Covid-19 pandemic. Companies going public want the price of shares sold to have a high potential price so as to attract investors' interest in investing their funds in the company. Several telecommunications companies in Indonesia, for example PT Indosat Tbk (ISAT), during the work from home policy and the implementation of the large-scale social restrictions (PSBB) policy, Indosat recorded an increase in data traffic of up to 27% in all regions, including Jabodetabek. This trend is expected to continue even though the government has started implementing the transitional PSBB. Likewise, PT Telkom Indonesia subsidiary PT Telkomsel. PT Telekomunikasi Indonesia Tbk (TLKM) also recorded an increase in data traffic of up to 22.8% amid the Covid-19 pandemic. Usage of virtual meeting-based applications and streaming video services jumped 75% and 13.8% respectively (CNBC, 2020). Telecommunication companies have played a role in preventing the spread of Covid-19 and increasing Indonesia's economic growth. During the Covid-19 pandemic, telecommunications companies contributed more to Gross Domestic Product than other companies.

Company value is formed through stock market value indicators which are influenced by investment opportunities. Investment spending provides a positive signal about the company's growth in the future, so that it can increase company value (signalling theory). Share prices reflect various investment, funding and asset management decisions. Shareholder value will increase if the company value increases with a high level of return on investment to shareholders. The value of company shares is a reflection of company performance, and company financial performance can be used to assess company performance specifically (Nasruddin & Mardiana 2021).

The profitability ratio is defined as a tool for analyzing the measurement of the level of business efficiency achieved by the business entity concerned, apart from that, profitability is also used as the ability to make a profit (Rofifah 2020). In this research, the profitability ratio is measured by return on assets (ROA). Return on Assets (ROA) is a ratio that shows how much assets contribute to creating profits. According to (Zubir 2017) a relatively large company size proves that the company is experiencing development, so that investors will respond actively and the value of the company will increase and large companies are usually stronger in facing economic shocks, and vice versa. So investors tend to like large companies over small companies. This also makes company size a strengthening factor in achieving profitability, thereby making the company value even better.

Company size is one of the variables considered to determine a company's value. On the other hand, company size reflects that the company is experiencing good development and growth, thereby increasing the value of a company. The larger the company size, the greater investors' confidence in its ability to provide returns on investment, due to the increase in or. The bigger the company, the more stable the company's condition will be. This stability attracts investors to understand a company's shares. To get high profits, investors prefer to collaborate with large companies. If the size of the company increases, the value of the company will follow this increase.

Company size is a determinant of company profits. The assets owned by a company indicate whether the company can be classified as a large company or not. Company size itself is also a reflection of company size which appears in the total value of company assets (Nabila Barnades and Suprihhadi 2020). Company size can be used as a benchmark for investors in investing in the company. Where a good company is able to be responsible for returning investment. Company size is an important factor in measuring the effectiveness of influencing profitability and liquidity. The size of the company with a high level of profitability and liquidity, the better the company will be. In this research, researchers chose a telecommunications company because during the Covid-19 pandemic, the service products they sold continued to exist and developed rapidly. So telecommunications companies are still contributors to the national economy during the Covid-19 pandemic.

The problem in this research is based on the uncertainty of the results of previous research (research gap) such as the research mentioned above and the phenomenon that occurs in Indonesia in telecommunications companies, where when many other companies experience losses and even go bankrupt, while the opposite is true for telecommunications companies, the researcher is very interested in conducting research entitled The Effect of Profitability and Liquidity on Company Value with Company Size as an Intervening Variable in Telecommunication Companies Listed on the IDX for the 2019 - 2021 period.

THEORETICAL AND METHODOLOGICAL BASIS

Agency Theory

Agency theory is an agency relationship as a contract in which one or more people (principals) involve other people (agents) to perform some service on their behalf which involves delegating some decision-making authority to the agent. If both parties in the relationship are utility maximizers. Agency theory explains that there is a separation of authority between company owners and company executives with the aim of ensuring company performance runs efficiently. The goal of the company is to maximize shareholder wealth, which is defined as maximizing share prices. Although the target is rational from the point of view of the company's operations, it has also been known since. For a long time, company managers have their own goals which often conflict with the goal of maximizing shareholders. It is not only shareholders as principals who will supervise the company's management, but also external parties, namely creditors, will also monitor its performance. The more people there are, the smaller the opportunity for management to take actions that could be detrimental to the company and shareholders (Aldi, Erlina, and Amalia, 2020).

Signaling theory

Signaling theory was first put forward by (Spence, 1973) who explained that the sender (owner of information) provides a signal or signal in the form of information that reflects the condition of a company which is beneficial for the recipient (investor). Signaling theory also reveals that in circumstances of information asymmetry (Signaling theory in circumstances of information asymmetry (Yasar, Martin, and Kiessling. 2022). The positive thing in signaling theory is that companies that provide good information will differentiate from companies that don't have good news. by informing the market about the current situation. Signaling theory emphasizes the importance of information released by the company in the investment decisions of parties outside the company. Information is an important element for investors and business people. The emergence of Signaling Theory resulted from studies of the economics of information in conditions where buyers and sellers are associated with asymmetric information when interacting in the market (Harningsih and Harsono, 2019). Signal theory is used in this research because this theory is related to the information provided by the company through positive signals that can be received by investors. Signals can be in the form of promotions or other information that states that the company is better than other companies. Signal theory explains that signals are given by managers to reduce asymmetry.

The value of the company

According to Ernawati and Widyawati (2015), one of the things that investors consider when making an investment is the value of the company in which the investor will invest capital. Based on the financial view, company value is the present value of future income (future free cash flow). The higher the company value, the greater prosperity the company owner will receive. For companies that issue shares on the capital market, the price of shares traded on the stock exchange is an indicator of the company's value. Company value is very important because high company value will be followed by high shareholder prosperity. The higher the share price, the higher the company value. A high company value is the desire of company owners, because a high value shows that shareholder prosperity is also high. The wealth of shareholders and companies is represented by the market price of shares which is a reflection of investment decisions, financing and asset management.

Company value is investors' perception of the company, which is often linked to share prices (Suffah, 2016). Explains that one of the things investors consider when making an investment is the value of the company in which the investor will invest capital. The share price is based on investor demand and supply, so the share price can be used as a proxy for company value. The share price is the price that occurs when shares are traded on the capital market. For companies that issue shares on the capital market, the price of shares traded on the stock exchange is an indicator of the company's value. The higher the share price, the higher the company value.

Price Earning Ratio (PER)

Price Earning Ratio (PER) reflects many influences that sometimes cancel each other out which makes its interpretation difficult. The higher the risk, the higher the discount factor and the lower the PER ratio. This ratio describes the market's appreciation of the company's ability to generate profits.

$$\text{PER} = \frac{\text{Market Price Per Share}}{\text{Price Per Share}}$$

Price to Book Value (PBV)

This ratio describes how much the market appreciates the book value of a company's shares. The higher the Prive to Book Value (PBV) means the market believes in the company's prospects.

$$\text{PBV} = \frac{\text{Market Price Per Share}}{\text{Book value of shares}}$$

Tobin's Q ratio

Tobin's Q represents the financial market's current estimate of the return on each dollar of incremental investment. Tobin's Q is calculated by comparing the ratio of the market value of a company's shares to the book value of the company's equity. $\text{Q} = \frac{\text{EMV+D}}{\text{EBV+D}}$

Where:

Q = Company Value

EMV = Equity Market Value

EBV = Book Value of Total Assets

D = Book Value of Total Debt

Tobin's Q can also describe the company's effectiveness and efficiency in utilizing all resources in the form of assets owned by the company (Dzahabiyya, Jhoansyah, and Danial, 2020). The Q ratio is superior to market value to book value because it focuses on some company's current value relative to how much it would cost to replace it today.

Profitability

Profitability is a company's ability to generate profits in a certain period. The profitability ratio measures management effectiveness based on returns obtained from sales and investments (Hery, 2018). Meanwhile, Profitability Ratios focus on the relationship between business results in the profit and loss report and the company's available resources as reported in the statement of financial position (Balance Sheet). The ratio number measures the company's ability to generate profits. The ability to generate profits really depends on the effectiveness and efficiency of the business and available company resources (Shabrina, 2019). On the other hand, efforts to maintain the level of profitability so that it remains stable cannot be separated from the appropriate use of capital, especially the use of working capital. In practice, there are various types of profitability ratios that can be used. According to Kasmir (2019), several types of profitability ratios include the following.

Profit Margin (Profit Margin on Sales)

Profit margin on sales or profit margin ratio or profit margin on sales is one of the ratios used to measure the profit margin on sales. The way to measure this ratio is by comparing net profit after tax with net sales. This ratio is also known as profit margin. According to Kasmir (2019) there are two formulas for finding profit margin, namely as follows.

For gross profit margin, with the formula:

$$\text{Profit Margin} = \frac{\text{Net Sales} - \text{Cost of Goods Sold}}{\text{Sales}}$$

Return on Investment (ROI)

The return on investment or better known as return on investment (ROI) or return on total assets is a ratio that shows the return on the number of assets used in the company. ROI is also a measure of management's effectiveness in managing its investments. Besides that, the return on investment shows the productivity of all company funds, both loan capital and own capital. The smaller (lower) this ratio, the less good it is, and vice versa. This means that this ratio is used to measure the effectiveness of the company's overall operations. According to Kasmir (2019) the formula for finding return on investment can be used as follows;

$$\text{Return on Investment} = \frac{\text{Earning After Interest and Tax}}{\text{Total Asset}}$$

Return on Equity Results

The return on equity or return on equity or profitability of own capital is a ratio to measure net profit after tax with own capital. This ratio shows the efficiency of using own capital. The higher this ratio, the better. This means that the position of the company owner is getting stronger, and vice versa. According to Kasmir (2019) the formula for finding Return on Equity (ROE) can be used as follows;

$$Return\ on\ Equity\ = \frac{Earning\ After\ Interest\ and\ Tax}{Equity}$$

Return on Assets

Return on assets is a ratio that shows how much assets contribute to creating net profit. In other words, this ratio is used to measure how much net profit will be generated from each rupiah of funds embedded in total assets. This ratio is calculated by dividing net profit by total assets. The higher the return on assets means the higher the net profit generated from each rupiah of funds embedded in total assets. Conversely, the lower the return on assets means the lower the net profit generated from each rupiah of funds embedded in total assets. The following is a formula that can be used to calculate Return on Assets (ROA) (Kasmir 2019):

$$\text{Return on Asset} = \frac{\text{Net Income}}{\text{Total Asset}}$$

Profitability assumes that companies that earn large profits will have a good opportunity to compete with the same type of company. This ratio connects the net profit obtained from company operations (net income) with the amount of assets used to generate operating profits.

Company Size

Company size is the size of the company as measured by total assets, number of sales, and share value. Windi Novianti Reza Pazzila Hakim (2019) explains that company size is seen from the business sector being operated. Company size can be determined based on total sales, total assets, and average sales level. Based on the explanation above, it can be concluded that company size can be seen from the number of assets the company owns. Company size is one of the factors that can influence profit generation. The larger the size of a company, the greater its strength in dealing with business problems and the company's ability to obtain high profits because it is supported by large assets so that the company's obstacles can be overcome. Companies that have large total assets or total assets indicate that the company has reached the maturity stage where at this stage the company's cash flow is positive and is considered to have good prospects in a relatively long period of time.

Company size is measured using the natural logarithm (Ln) of total assets. The natural logarithm (Ln) is used to reduce significant differences between a company size that is too large and a company size that is too small, so from the total assets a natural logarithm is formed which aims to make the data on the number of assets normally distributed (Pribadi,

2018). The value of total assets is usually greater than other financial variables, so the total assets variable is refined into Log Assets or Ln Total Assets. By using the natural logarithm (Ln) of total assets with a value of hundreds of billions or even trillions it will be simplified without changing the proportion of the actual total assets. (Sri Isfantin Puji Lestari; Dr 2020)
According to Putu Ayu Widiastari (2018) Company size can be calculated using the following formula:
"Size"=Ln(Total Assets)

HYPOTHESIS

The Influence of Profitability on Company Value

Profitability is a company's ability to generate profits within a certain time period. Companies have an incentive to provide financial report information to investors. The company's urge to provide information is because there is information asymmetry between the company and outside parties because the company knows more about the company and its future prospects than outside parties (investors). Company value is the condition achieved by a company as a result of public trust in a company after going through a process of activities carried out over several years, from its inception to the present. The results of research conducted by (Aldi, Erlina, and Amalia 2020) and research conducted by (I Gusti Ayu Diah Novita Yanti 2019) show that profitability has a positive and significant influence on company value. Based on theory and previous research, the following hypothesis can be formulated.

H1: Profitability influences company value.

The Influence of Profitability on Company Size

Profitability is a company's ability to generate profits within a certain time period. Companies have an incentive to provide financial report information to investors. The company's urge to provide information is because there is information asymmetry between the company and outside parties because the company knows more about the company and its future prospects than outside parties (investors). Company size is a determinant of company profits. The assets owned by a company indicate whether the company can be classified as a large company or not. Company size itself is also a reflection of company size which appears in the total value of company assets (Nabila Barnades and Suprihhadi 2020). Company size can be used as a benchmark for investors in investing in the company. Where a good company is able to be responsible for returning investment. Company size is an important factor in measuring the effectiveness of influencing profitability and liquidity.
Based on theory and previous research, the following hypothesis can be formulated.

H2: Profitability has an influence on company size.

The Influence of Company Size on Company Value

Company size is a determinant of company profits. The assets owned by a company indicate whether the company can be classified as a large company or not. Company size itself is also a reflection of company size which appears in the total value of company assets (Nabila Barnades and Suprihhadi 2020). Company size can be used as a benchmark for investors in investing in the company. Where a good company is able to be responsible for returning investment. Company size is an important factor in measuring the effectiveness of influencing profitability and liquidity. The size of the company with a high level of profitability and liquidity, the better the company will be. In this research, researchers chose a telecommunications company because it was during a pandemic. Company Value is a condition that a company has obtained as a reflection of the public's beliefs about the company after going through an activity procedure for several years, namely since the company was founded until now.

Company size is a reflection of the total assets owned by a company. Hidayat and Tasliyah (2022) state that company size has a positive effect on company value. This is because as the size of the company increases, the value of the company also increases. Based on theory and previous research, the following hypothesis can be formulated.
H3: Company size influences company value

The influence of profitability on company value through company size.

Profitability is the ability to generate profits in a period and the profitability ratio measures management effectiveness based on returns obtained from sales and investments (Wicaksono 2021). Signaling theory relationship, where good company value can be a positive signal. This is because investors' motivation for investing is to gain profits, so companies with good value will tend to be accepted by investors. Company Value is a condition that a company has obtained as a reflection of the public's beliefs about the company after going through an activity procedure for several years, namely since the company was founded until now. Company size is a reflection of the total assets owned by a company. Based on theory and previous research, the following hypothesis can be formulated:
H4: Profitability influences company value through company size

RESEARCH METHODS

Population, Sample and Sampling Method

The type of data used is Secondary Data. Secondary data is a data source that does not directly provide data to data collectors, for example through other people or through documents (Sugiyono 2016). Population is the totality of all possible values, results that calculate or measure, quantitatively or qualitatively regarding certain characteristics of all members of a complete collection and clearly want to study their characteristics. The population in this research is 19 telecommunications service companies listed on the Indonesia Stock Exchange for the 2019 - 2021 period. The sample is part of the number and characteristics of the population. In selecting the sample to be studied, the researcher used a purposive sampling technique, namely a technique for determining the research sample with certain considerations with the aim of making the data obtained later more representative. The sample criteria that will be used are: - Telecommunication services companies listed on the Indonesia Stock Exchange from 2019 to 2021. - Telecommunication services companies that publish annual reports that have been audited and published on the Indonesian Stock Exchange. Based on these criteria, this research obtained a sample of 16 companies or 48 companies as observations.

Table 1
Research Population and Sample

NO	DESCRIPTION	AMOUNT
1	Population Telecommunication Companies on BEI 2019-2021	19
2	Samples that do not meet the criteria; Telecommunications companies that do not publish Annual Reports	(3)
3	Samples that do not meet the criteria; Telecommunication Company that publishes Annual Report	16
4	Total Observation Sample (16 x 3 years)	48

Data collection technique

Data was collected using documentation techniques, namely financial report data and data in annual reports from telecommunications companies registered on the IDX for the 2019 - 2021 period.

Data analysis technique

According to (Sugiyono 2016) data analysis is an activity after data from all respondents or other data has been collected. Activities in data analysis are grouping data based on variables and type of respondent, tabulating data based on variables from all respondents, presenting data for each variable studied, carrying out calculations to answer the problem formulation and carrying out calculations for hypotheses that have been proposed. Descriptive Statistical Analysis; Statistics is a recapitulation of facts in the form of numbers arranged in the form of tables and diagrams that describe a problem (Ghozali 2016). Descriptive statistical tests can provide an overview or description of data seen from the highest value (maxium), lowest value (minimum), average value (mean), and standard deviation (standard deviation).

Classic assumption test

Normality test

Normality test to test the data for the independent variable (X) and dependent variable (Y) in the resulting regression equation, which is normally distributed and which is not normally distributed. The test used is the Kolmogorov Smirnov normality test method, namely by comparing the distribution of the data (which will be tested for normality) with the standard normal distribution. The standard normal distribution is data that has been transformed into Z-Score form and is assumed to be normal. The basis for making this decision is that if the probability is less than 0.05 then the variable is not normally distributed and if the probability is greater than 0.05 then the variable is normally distributed. This test aims to find out whether the residuals from the regression model created are appropriately distributed or not or can be called normal or abnormal.

Multicollinearity Test

According to (Ghozali 2016) explains that the multicollinearity test aims to test whether the regression model finds a correlation between independent variables. This test can be determined by looking at the tolerance value and variance inflation factor (VIF) value. Testing is carried out by looking at the VIF value or variance inflation factors. If the value is centered VIF (Variance Inflation Factor). Testing can be done by looking at the Tolerance and Variance Inflation Factor (VIF) values in the regression model.

Heteroscedasticity Test

The purpose of this test is to test whether or not the variations in the residuals are the same from one observation to another. If the residuals have the same variance, it can be called homoscedasticity and if the variations are not the same, it is called heteroscedasticity. Heteroscedasticity test uses the Geljser test. The Glejser test is a hypothesis test to find out whether a regression model has an indication of heteroscedasticity by regressing the absolute residuals.

Autocorrelation Test

Aims to test whether in the linear regression model there is a correlation between confounding errors. A good regression equation is one that does not have autocorrelation problems. If autocorrelation occurs then the equation is not good for prediction. The autocorrelation problem arises if there is a linear correlation between the confounding error for period 1 (current) and the confounding error for period 1-1 (previous). With the Run Test or Run Test, you can determine the randomness of a sample. This randomness is an important condition that must be met in experiments. Apart from that, this test is also often used to detect autocorrelation.

Regression with Path Analysis

Regression Equations

The data analysis used in this research is multiple regression analysis as a data processing tool. The data used is time series data for the last 3 years, namely 2019 - 2021 and cross section data from telecommunications companies listed on the Indonesia Stock Exchange.

This analysis is used to see the influence of Proftability and Liquidity on company value with company size as an intervening variable in telecommunications companies listed on the Indonesia Stock Exchange for the 2019 - 2021 period with the following multiple linear regression model equation:

$Z = \alpha + \beta 1X1 + \beta 2X2 + \beta 3Y + \varepsilon$

Information:

Z: Company Value

α : Constant

β1, β2, β3, β4, β5 : Regression Coefficients

X1: Profitability

X2: Liquidity

Y: Company Size

ε : Standard error

Hypothesis testing

Path Analysis

Path analysis is an extension of multiple linear regression analysis or path analysis is the use of regression analysis to estimate causal relationships between variables (causal models) that have been previously established based on theory (Ghozali 2016). This path analysis technique will be used to test the magnitude of the contribution shown by the path coefficient on each path diagram of the causal relationship between variables X1 and X2 on Z and their impact on Y. The equation in this model consists of two stages, namely

Model Equation 1: $Z = b1\ X1 + b2\ X2 + b3\ Z + \varepsilon$

Model Equation 2: $Y = b1\ Z + b1\ X1 + b2\ X2 + b3\ Z + \varepsilon$

Information:

ε = Error Factor

X1 = Profitability

X2 = Liquidity

Y = Company Size

Z = Company Value

After getting the 2 models, the next step is to calculate the regression equation. To see the magnitude of the influence of the independent variable on the dependent, the test carried out was the t test which was used partially. Meanwhile, to see the magnitude of the effect, use the beta number or standard coefficient.

RESEARCH RESULT

This research will describe processed data from the company's annual financial reports which will be used as a basis for data analysis. So this research can explain the influence of profitability on company value with company size as an intervening variable in telecommunications companies on the IDX.

Descriptive Statistical Analysis

Based on the research sample data, it can be analyzed using descriptive analysis methods to make it easier to understand. The tool used to describe the results of the descriptive analysis method is information on minimum, maximum, average (mean) values and standard deviation values. A summary of the results of the descriptive analysis is presented in the following table:

Table 2

Results of Descriptive Statistical Tests

	N	Minimum	Maximum	Mean	Std. Deviation
Profitability	48	-.413900	.572900	.08915208	.181552994
Company size	48	21.906830	33.255700	29.02768375	2.644040968
Company Value	48	.148610	2.167010	.98458021	.437587382
Valid N (listwise)	48				

Source: Output SPSS 26

Classic assumption test

The classical assumption test is a requirement for carrying out regression analysis, so that the regression as an estimate can be correct/not biased/not deviated. (Note: regression as an estimate is estimating the Y/dependent variable based on the X/independent variable).

Multicollinearity Test

Table 3

Multicollinearity Test Results

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	Collinearity Statistics Tole rance	Collinearity Statistics VIF
1	(Constant)	.904	.597		1.514	.137		
	Profitability	.665	.289	.276	2.303	.026	.867	1.153
	Company Size	-.012	.020	-.071	-.586	.561	.837	1.195

a. Dependent Variable: Company Value

Source: Output SPSS 26

The results show that the tolerance value X_1 ($_{\text{Profitability}}$)= 0.867 & Y ($_{\text{Company Size}}$)= 0.837 >0.10 and the VIF value for the variable The regression passed the multicollinearity test.

Autocorrelation Test

Table 4

Autocorrelation Test Results

Runs Test

	Unstandardized Residual
Test Value[a]	-.02826
Cases < Test Value	24
Cases >= Test Value	24
Total Cases	48
Number of Runs	22
Z	-.729
Asymp. Sig. (2-tailed)	.466

a. Median

Source: Output SPSS 26

The results show that the situation is significant, not significant, 0.466 > 0.05, this means that there is no autocorrelation (free from autocorrelation).
Heteroscedasticity Test
The results of the heteroscedasticity test with gledjer show the p-value (sig) of the variables)
Then a heteroscedasticity test was carried out using the Spearman's Rho test, the results were as follows:

Table 5
Results of the Hyteroscedasticity Test

			Profitabilility	Company Size	Unstandardized Residual
Spearman's rho	Profitabiliity	Correlation Coefficient	1.000	.322	-.002
		Sig. (2-tailed)	.	.026	.988
		N	48	48	48
	Company Size	Correlation Coefficient	.322	1.000	.075
		Sig. (2-tailed)	.026	.	.612
		N	48	48	48
	Unstandardized Residual	Correlation Coefficient	-.002	.075	1.000
		Sig. (2-tailed)	.988	.612	.
		N	48	48	48

Source: Output SPSS 26
The results show the p-value (sig) of the variables)

Normality test

The normality test aims to test whether the confounding/residual variables are normally distributed. Residuals are normally distributed if the p-value (signification) is > 0.05

Table 6
Normality Test Results

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		48
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.32386090
Most Extreme Differences	Absolute	.083
	Positive	.083
	Negative	-.075
Test Statistic		.083
Asymp. Sig. (2-tailed)		.200[c,d]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.

Source: Output SPSS 26

Normality test uses the Kolmogorov Smirnov test. The p-value (significance) = 0.200 > 0.05, indicating that the situation is not significant. This means that the residuals are normally distributed (pass the normality test).

Regression Analysis with Path Analysis

Path analysis aims to determine cause and effect relationships, with the aim of explaining the direct or indirect influence between exogenous variables and endogenous variables. Path analysis is an important instrument that can help determine whether or not there is a pattern of relationships in research that is consistent with a specific theoretical formulation. Path analysis is an extension of the regression model, which is used to test the correlation matrix in the causal models compared by researchers.

Model 1 Path Coefficients

Coefficients

Model Unstandardized Coefficients Standardized Coefficients t Sig.

B Std. Beta Errors 1 (Constant) 29,289 ,636 46,076 ,000

Profitability 5,200 1,986 ,357 2,618 ,012

Dependent Variable: Company Size

That in the table the coefficient of profitability value (X1) is 0.012 < 0.05, meaning that profitability has a significant effect on company size.

The value of R Square is 0.163, this shows that the contribution of profitability (X1) to company size (Y) is 16.3% while the remaining 83.7% is the contribution of other variables not included in this research. Meanwhile the value of e1 is √(1-0.163) = 0.915

So the path diagram for structure model 1 is obtained as follows:

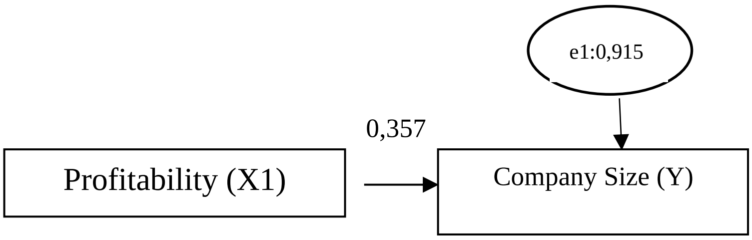

Figure 1
Path Coefficient model 1

Model 2 Path Coefficient:

Regression Test Result Coefficient with Path Analysis

That in the table the coefficient of profitability value (X1) is 0.026 <0.05, meaning that profitability has a significant effect on company value.

The value of R Square is 0.452, this shows that the contribution of profitability (X1) to company value (Z) is 45.2% while the remaining 54.8% is the contribution of other variables not included in this research. Meanwhile the value of e2 is √(1-0.452) = 0.740. So the path diagram for structure model 2 is obtained as follows:

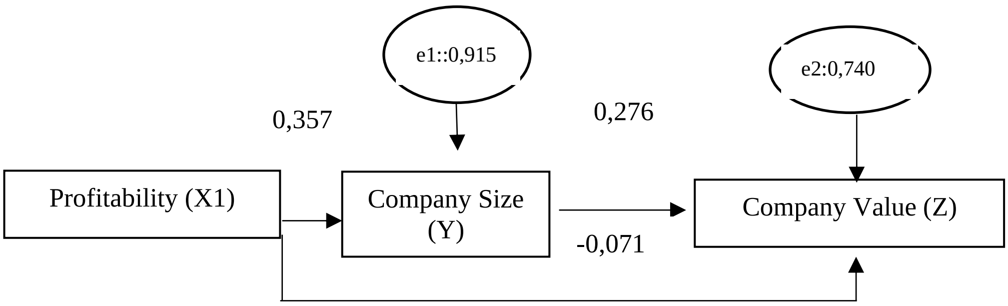

Figure 2
Path Coefficient model 2

HYPOTHESIS TESTING

Direct influence.

The Effect of Profitability on Company Value

Based on the results of the linear regression test with path analysis, it shows that profitability has a significant influence on company value, this is indicated by a significance value of 0.026 < 0.05. This means that the first hypothesis (H1) which states that profitability has an effect on company value is accepted.

The Effect of Profitability on Company Size

Based on the results of the linear regression test with path analysis, it shows that profitability has an influence on company size, this is indicated by a significance value of 0.012 < 0.05. This means that the second hypothesis (H2) which states that profitability influences company size is accepted.

The Influence of Company Size on Company Value

Based on the results of the linear regression test with path analysis, it shows that company size has no influence on company value, this is indicated by a value of -0.071 and a significance value of 0.651 > 0.05. This means that the third hypothesis (H3) which states that company size influences company value is not accepted.

Indirect influence.

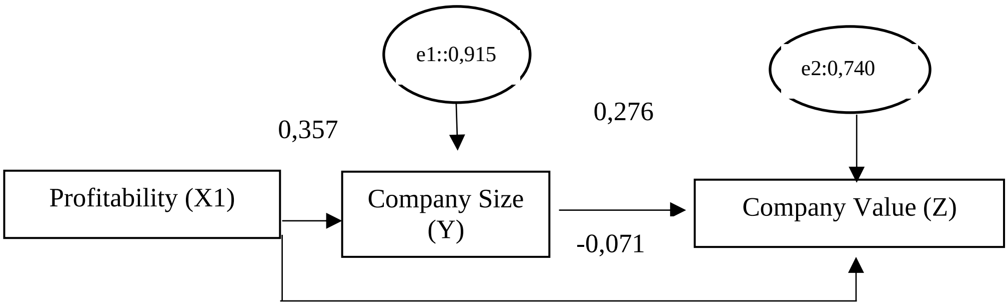

Figure 3
Path Analysis Model

Influence of Profitability (X1) on Company Value (Z) through Company Size (Y)

The direct influence of X1 on Z is 0.276, while the indirect influence of X1 on Z through Y is the multiplication of the beta value of is the direct effect plus the indirect effect, namely 0.276 + (-0.025) = 0.251. Based on the calculation above, it is known that the direct influence value is 0.276 and the indirect influence is -0.025, which means that the indirect influence value is smaller than the direct influence. This result shows that indirectly X1 through Y does not have a significant influence on Z.

CONCLUSION

Based on the test results carried out in the previous chapter, the following conclusions can be obtained:

1. The research results prove that profitability has an effect on company value.
2. The research results prove that profitability has an effect on company size.
3. The research results do not prove that company size has an effect on company value.
4. The research results do not prove that profitability has no effect on company value through company size.

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