# The Effect of Profitabilty, Debt Policy and Firm Size on Company Value in Consumer Goods Companies

Adat Muli Peranginangin
STIE Surya Nusantara
*adatperanginangin09@gmail.com*

## ABSTRACT

Investor's perception of the company will be seen through the company's performance which is reflected by the Company's Value. High company value will increase the bargaining power of the company and provide added value for shareholders and investors who want to invest in the company.The objective of the research was to examine and analyze the influence of Profitability Ratio (Gross Profit Margin/GPM, Operating Profit Margin/OPM, Net Profit Margin/NPM, Return On Assets/ROA, Return On Equity/ROE), Debt Policy (Debt Equity Ratio/DER) and Firm size (Assets Size) on the Company Value (Price Earning Ratio/PER) in consumer goods companies listed in the Indonesia Stock Exchange. The research used causal research method and secondary data. The population was 47 consumer goods companies listed in the Indonesia Stock Exchange in the period of 2015-2017, and 23 of them were used as the samples, taken by purposive sampling technique. The data were analyzed by using multiple linear regression analysis. The results showed that simultaneously Gross Profit Margin (GPM), Operating Profit Margin (OPM), Net Profit Margin (NPM), Return On Assets (ROA), Return On Equity (ROE) and Debt Policy (Debt Equity Ratio / DER) significantly influence the Company Value (Per Earning Ratio / PER) with a calculated F value of 0,000. Partially, Gross Profit Margin (GPM) and Company Size (Assets Size) have a significant effect on Company Value (PER), with a t value of 0,000, while Operating Profit Margin (OPM), Net Profit Margin (NPM), Return On Assets (NPM) ROA), Return On Equity (ROE) and Debt Policy (Debt Equity Ratio / DER) have no effect on the Company Value (Per Earning Ratio) with t count values of 0.89, 0.831.0.757.0.864.0.827, respectively. With R Square 0, 348 = 34.8%, meaning that only 34.8% of the variables studied could affect the value of the company while 62.2% is influenced by other variables that were not researched.

**Keywords**: Gross Profit Margin (GPM), Operating Profit Margin(OPM), Net Profit Margin(NPM), Return On Asset(ROA), Return On Equity(ROE) and Debt Policy (Debt Equity Ratio/DER), Firm size (Assets Size), Company Value (Price Earning Ratio/PER).

## INTRODUCTION

Every business unit formed in business activities, both profit and non-profit business will always have a goal to be able to develop and grow sustainably to develop every potential that is owned with the hope of maximizing profits for the company. Companies that can grow and

develop will be able to continue to exist and be solid in the face of increasingly fierce business competition today. Companies that can always win in business competition will always be leading and even become inspiration for other companies. This achievement can be seen / measured through financial performance through published financial statements. Financial statements will always be the first choice for every company stakeholders both internal and external as a basis for making decisions, so that the decision taken is the best decision, then the published financial statements need to be processed into a standard reference that provides a more detailed picture of just a report that contains numbers only. Financial ratio analysis is one of the tools for each stakeholder to be able to provide an overview of the company's financial performance with the parameters of the company's financial health condition. Good financial performance will provide a higher value perception for the company towards the views of the company's stakeholders both internal and external. External parties who have an interest in the company are Investors. Investors will be excited and excited if the company's value has increased and grown from the previous year. The company's value will be very vital for investors who have already joined the company and prospective investors because the value of the company will be the basis for them to take investment decisions. Company profitability is also very important because profitability will affect the value of the company. Investors will always expect high profits and provide a return on the capital they have invested. Debt policies can also affect the value of the company. Debt policy decisions taken by the company related to debt management will affect the value of the company, the right portion of debt will have an optimal effect on the company's value. The size of the company that is projected through the size of the company's assets is also very important to have a positive impact on company management. The size of the companies included in the large category will have a greater positive impact on the value of the company compared to companies that have small or medium size companies.

Because of the importance of the Company Value for the sustainability of business activities in business competition as stated above and the many studies on the effect of profitability, debt policy and company size on the company's value have been carried out with different results, so I did a research with a sample and a different year from previous studies. With the hope of getting more objective and useful results.

## LITERATURE REVIEW

Every company will always try to get a big profit and grow from year to year. Profit that is always growing can give a signal to shareholders that the company is in good condition. Profitability according to Hanafi (2012: 81) is a ratio to measure a company's ability to generate profits at a certain level of sales, assets and share capital. There are 3 (three) ratios most commonly used namely Profit Margin, Return on Assets (ROA) and Return on Equity (ROE). Sudana (2012: 22 profitability is a ratio to measure the ability of a company to get profits by utilizing the company's resources such as assets, capital or company sales, Kasmir (2015: 22) profitability is a ratio to assess the company's ability to find profit or profit in a certain period. This ratio can also provide a measure of the level of effectiveness of company management that can be shown from the profits obtained from sales or from investment income. Hartono (2012: 122) According to Hartono, understanding profitability is a ratio to measure the ability to companies to make good profits in terms of sales, ase t or profit.

From the definition that has been presented above shows that the profitability ratio is a method of measurement analysis in assessing the company's ability to be able to generate profits by using the resources owned by the company. By looking at profitability ratios can also provide an overview of the company's management performance in managing the company.

Types of Profitability Ratios. Profitability Ratio according to Fahmi (2013: 80) is

1. Gross Profit Margin (GPM). This ratio is the gross profit margin, which shows the relationship between sales and cost of goods sold, measuring a company's ability to control inventory costs. Gross Profit Margin = (Cost of Goods Sold) / Sales

2. Net Profit Margin (NPM). Is one of the ratios used to measure the profit margin on sales. The way to measure this ratio is to compare net income after tax with net sales. Net Profit Margin = (Profit After Tax) / Sales

3. Operating Profit Margin. This is the ratio used to measure the level of a company's operating profit margin based on its comparison with the resulting net income or sales. "Comparison between operating income and sales or what is commonly referred to as pure profit received for each rupiah from sales earned." (Syamsuddin, 2013: 61) Operating Profit Margin = (Operating Profit) / Revenue

4. Return on Equity (ROE). The return on equity or Return on Equity (ROE) is the ratio to measure net income after tax with own capital. This ratio shows the efficiency of using their own capital. The higher this ratio, the better. That is, the position of the

owner of the company is getting stronger, and vice versa. The formula is as follows:

Return On Equity = (Net Income After Tax) / Equity

5. Return On Assets (ROA). Return On Assets see the extent to which investments that have been invested are able to provide a return on profits as expected and the investment is actually the same as the company's assets that are invested or placed. Return On Assets = (Profit After Tax) / (Total Assets)

Debt is an instrument that can be used as a company to boost financial performance. Debt that is used correctly and properly will be able to encourage productivity. The right and correct debt policy will have a positive effect on the company. Debt policy according to Harmono (2015: 137) funding decisions by management will affect the company's research reflected in stock prices. Therefore, one of the tasks of financial management is to determine funding policies that can maximize stock prices which are a reflection of a company's value. According to Irawan Arry (2009) said that: "" Debt policy is related to management decisions in increasing or reducing the proportion of long-term debt and equity used in financing company operational activities. "According to Bambang Riyanto (2011: 98) Debt policy is a very decision important in the company. Where the debt policy is one part of the company's funding policy. Debt policy is a policy taken by management in order to obtain financial resources for the company so that it can be used to finance the company's operational activities.

Of the several opinions that have been stated above the debt policy is a strategic step taken by the management regarding the financing policy for the company in encouraging the rate of company resources to achieve better performance. Companies usually have limitations in financing resources, debt policy is a step that must be chosen so that the company has more space in managing its financing resources. Debt policy measurement method used in this study is Debt Equity Ratio. The Debt Equity Ratio formula is as follows:

Debt Equity Ratio = (Total Debt) / (Total Capital)

Company Size. Companies that have a large tendency will be able to dominate the market share in fierce business competition. Large companies will be able to become leading and inspiration for other companies. The size of the company can be measured by the number of sales and total assets owned. The size of the company according to Brigham & Houston (2010: 4) company size is as follows: "The size of the company is a measure of the size of a company that is indicated or valued by total assets, total sales, total profits, tax burden and others". According to Hartono (2008: 14) firm size is as follows: "The size of the company can be measured by the total assets / assets of the company by using the logarithm value calculation of total assets".

Then the size of the company according to Torang (2012: 93) is: " Organizational size is to determine the number of members associated with the selection of ways to control activities in an effort to achieve goals. Determination of the size of the company can be measured by looking at the size of assets owned by the company. This study uses total assets as a proxy for firm size. According to Werner R. Murhadi (2013) Firm Size is measured by transforming the total assets of the company into natural logarithms. The size of the company is proxied by using the Natural Log Total Assets in order to reduce excess data fluctuations. By using natural logs, the amount of assets with a value of hundreds of billions or even trillions will be simplified, without changing the proportion of the actual amount of assets.

"Company size = Ln (Total Assets)".

Every company will always try to get a positive difference in business competition. This positive difference will provide motivation and pride for every stakeholder of the company both internal and external. Pride of the company can be seen by the value of the company caused by the achievement of the company .armono (2009: 233) According to Harmono, the value of the company is the company's performance reflected by the stock price formed by the demand and supply of capital markets that reflect public assessment of company performance. Noerirawan (2012) Company Value is a condition that has been achieved by a company as an illustration of public trust in the company after going through a process of activities for several years, namely since the company was founded until now. The Value of Companies according to Gendro Wiyono and Hadri Kusuma (2017: 13) maximizing the value of the company is broader than maximizing profits, because maximizing the value of the company means considering the effect of time on the value of money. Maximizing value means considering various risks to the company's revenue stream. The quality of funds expected to be received in the future may vary.

The value of the company is a financial achievement achieved by the company which is reflected by the high value of the share price followed by an increase in investor / prospective investor and community confidence in the company. The ratio to measure company value in this study is Price Earning Ratio (PER). Price Earning Ratio (PER) shows how much money an investor is willing to spend to pay every dollar of reported profit. This ratio is used to measure how much the ratio between the company's stock price with the profits obtained by shareholders. Price earning ratio (PER) serves to measure changes in profitability that is expected in the future. The greater the PER, the more likely the company to grow so that it can increase the value of the company.

Research Hypothesis

Based on the introduction, literature review, and conceptual framework, the hypotheses of this study are:

H1. Profitability Ratios (GPM, OPM, NPM, ROA, ROE), Debt Policy (DER), and Company Size (Total Assets) have a simultaneous effect on Company Value (PER) of Consumer Goods sector companies listed on the Indonesia Stock Exchange.

H2. Profitability Ratios (GPM, OPM, NPM, ROA, ROE), Debt Policy (DER), and Company Size (Total Assets) partially affect the Company Value (PER) of the Consumer Goods sector companies listed on the Indonesia Stock Exchange.

## METHODS

The population in this study are all Consumer Goods companies in Indonesia which are listed on the Indonesia Stock Exchange (BEI) as many as 38 companies. The sample selection in this study uses non-probability sampling method with the type of purposive sampling method, namely the technique of determining the sample based on certain criteria (Lubis, 2012). The purpose sampling method criteria as follows:

1. Consumer Goods Companies listed on the IDX and consistent throughout the study period (2015 to 2017).
2. Consumer Goods Companies that provide financial statement data during the period of research year continuously in 2015 until 2017.
3. Companies that did not have negative profits during the study period (2015 to 2017). Based on the above criteria, 23 company samples were obtained.

## RESULTS

**Descriptive statistics**

Descriptive statistics presents the minimum, maximum, average and standard deviation of each independent variable and the dependent variable can be seen in Table 1 below.

Tabel 1. **Research Description Table**

|  | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| GPM | 69 | 1.90 | 4.30 | 3.4754 | .50479 |
| OPM | 69 | .34 | 3.58 | 1.9359 | .80518 |
| NPM | 69 | 1.04 | 3.86 | 2.3574 | .65897 |

| | | | | | |
|---|---|---|---|---|---|
| ROA | 69 | .14 | 3.64 | 2.1238 | .86577 |
| ROE | 69 | .49 | 4.91 | 2.6236 | .86354 |
| DER | 69 | .08 | 2.65 | .7072 | .54171 |
| SIZE | 69 | 11.98 | 18.02 | 15.1265 | 1.53903 |
| PER | 69 | 1.00 | 5.47 | 3.1432 | .76434 |
| Valid N (listwise) | 69 | | | | |

Classical Assumption Testing

Testing the classic assumptions used in this study include normality test, multicollinearity test, heterokedastasis test, and autocorrelation test.

The normality test results show that the Kolmogorov-Smirnov Z value is 0.565 and the significance is 0.907, the value is above $\alpha = 0.05$ (asymp.sig = 0.907> 0.05) so that the Ha hypothesis is accepted, which means the residual data are normally distributed.

The results of multicollinearity test show that all independent variables have a Tolerance value $\geq 0.10$ and a VIF value $\leq 10$ so that the data of this study do not experience multicollinearity problems.

The autocorrelation test results show that the significance value of the run test is 0.011 where the value is above $\alpha = 0.05$ (Asymp Sig = 0.011> 0.05), so it can be concluded that the data of this study do not contain autocorrelation symptoms.

Glejser test results show that the significance value of each free vatriabel has a value above 0.05, which means that in this research model heteroscedasticity does not occur.

Hypothesis testing
Determination Coefficient Test (R2)

Table 2. **Model Summary**[b]

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .590[a] | .348 | .273 | .65158 |

a. Predictors: (Constant), SIZE, DER, GPM, ROA, NPM, OPM, ROE
b. Dependent Variable: PER

Table 2 shows that the coefficient of determination (Adjusted R square) of 0.27 or 27%. This means that the Profitability Ratio, Debt Policy and Company Size can explain the effect on the

Company's Value of 27% while the remaining 73% is explained by other independent variables outside the estimation model.

Simultaneous Hypothesis Test (Test F)

Table 3. **Test Results F (ANOVA[a])**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 13.828 | 7 | 1.975 | 4.653 | .000[b] |
| | Residual | 25.898 | 61 | .425 | | |
| | Total | 39.726 | 68 | | | |

    1. Dependent Variable: PER
    2. Predictors: (Constant), SIZE, DER, GPM, ROA, NPM, OPM, ROE

Based on Table 3 shows that the significance value is 0,000 less than 0.05 so it can be concluded that simultaneously GPM, OPM, NPM, ROA, ROE, SIZE influence on earnings growth. This means that the first hypothesis can simultaneously be accepted.

Partial Hypothesis Test (t test)

Table 4. **T-Test Results (Coefficients[a])**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -2.949 | 1.311 | | -2.249 | .028 |
| | GPM | .817 | .215 | .540 | 3.808 | .000 |
| | OPM | -.822 | .476 | -.866 | -1.729 | .089 |
| | NPM | .084 | .394 | .073 | .214 | .831 |
| | ROA | .403 | 1.294 | .456 | .311 | .757 |
| | ROE | -.226 | 1.312 | -.255 | -.172 | .864 |
| | DER | .149 | .677 | .106 | .220 | .827 |
| | SIZE | .283 | .064 | .569 | 4.434 | .000 |

Dependent Variable: PER

Based on Table 4 can be shown multiple linear regression equations as follows:

**Y= -2,949+0,817GPM - 0,822OPM+ 0,084NPM+0,403ROA - 0,226ROE+ 0,149DER+ 0,283SIZE**

The interpretation and explanation of the meaning of the numbers for each independent variable above are as follows:

1. GPM variable has a significance value of 0,000 or smaller than 0.05, it can be concluded that H0 is rejected. GPM variable partially has a positive and significant effect on firm value.

2. OPM variable has a significance value of 0.089 or smaller than 0.05, it can be concluded that H0 is rejected. OPM variable partially has a positive and significant effect on firm value.

3. The NPM variable has a significance value of 0.831 or greater than 0.05, it can be concluded that H0 is accepted. The NPM variable partially has no effect and is not significant on firm value.

4. ROA variable has a significance value of 0, 757 or greater than 0.05, it can be concluded that H0 is accepted. ROA variable partially has no effect and is not significant on firm value.

5. ROE variable has a significance value of 0.864 or greater than 0.05, it can be concluded that H0 is accepted. ROE variable partially has no effect and is not significant on firm value.

6. The DER variable has a significance value of 0.827 or greater than 0.05, it can be concluded that H0 is accepted. The DER variable partially has no effect and is not significant on firm value.

7. SIZE variable has a significance value of 0,000 or less than 0.05, it can be concluded that H0 is rejected. SIZE variable partially has a positive and significant effect on firm value.

## DISCUSSION

The results of GPM testing on Firm Value in this study indicate that GPM has a positive and significant effect. Positive can be seen from the value of the regression coefficient 0.028 and the significant value of 0.000 is smaller than 0.05. Positive influence shows that GPM is in line with Company Value and significant influence shows that GPM has an important role in determining Company Value.

The results of this study differ from studies conducted by Nurlaelah, Purnama and Sari (2017) which state that GPM has no positive and significant effect on earnings changes.

OPM test results on Company Value in this study indicate that OPM has no effect and is negative and insignificant. Negative seen from the regression coefficient of -1.729 and a significant value of 0.89 is greater than 0.05. Negative Influence shows that OPM is not in line

with Company Value and does not have a significant effect, this shows that OPM does not have a significant role in determining Company Value.

These results indicate a similarity with the results of research conducted by Ardimas and Wardoyo (2014)

The results of NPM testing on Company Value in this study indicate that NPM has no positive and significant effect. Positive can be seen from the regression coefficient of 0.214 and a significant value of 0.831 greater than 0.05. Positive influence shows that NPM is in line with Company Value and insignificant influence shows that NPM does not have an important role in determining Company Value.

These results indicate a similarity with the results of research conducted by Ardimas and Wardoyo (2014)

ROA test results on Company Value in this study indicate that ROA has no positive and significant effect. Positive can be seen from the regression coefficient of 0.311 and a significant value of 0.757 is greater than 0.05. A positive effect indicates that ROA is not aligned with Company Value and does not have a significant effect indicating that ROA lacks an important role in determining Company Value

The test results of this study indicate that the ROA ratio has no effect on Company Value. The results of this study are different from the results of the Chasanah study (2018)

ROE test results on Company Value in this study indicate that ROE has no effect as well as negative and significant. Negative seen from the regression coefficient -0.172 and a significant value of 0.864 is greater than 0.05. Negative Influence shows that ROE is not in line with Company Value and no significant effect shows that ROE has a significant role in determining Company Value.

The results of this study indicate that the ROE ratio has no effect on Company Value. This result is not in line with research conducted by Budianto, Suhandak and Djulkirom (2013) with the result that ROE has no significant effect on Company Value

The DER test results on Company Value in this study indicate that DER has no positive and insignificant effect. Positive can be seen from the regression coefficient of 0.220 and a significant value of 0.827 greater than 0.05. A positive effect indicates that DER is not aligned with Company Value and does not have a significant effect indicating that DER lacks an important role in determining Company Value

The test results of this study indicate that the DER ratio has no effect on Company Value. The results of this study are in line with the results of Chasanah's research (2018).

Company size is a value that indicates the size of the company. Company size is usually measured using total sales, total assets, and market capitalization. The greater the value of total sales, total assets, and market capitalization, the greater the size of the company

The results of SIZE testing on Company Value in this study indicate that SIZE has a positive and significant effect. Positive can be seen from the regression coefficient value 4.434 and the significant value of 0.000 is smaller than 0.05. Positive influence shows that SIZE is aligned with Company Value and significant influence shows that SIZE has an important role in determining Company Value.

The test results of this study indicate that SIZE affects Company Value. The results of this study are different from the results of the Chasanah study (2018)

**Conclusion**

Based on the results of the research and discussion in advance, the following conclusions can be drawn:

1. Simultaneously Profitability Ratios (GPM, OPM, NPM, ROA, ROE) and Debt Policy (DER) and Company Size (SIZE / Total Assets) have a significant effect on the Company Value of companies listed on the Indonesia Stock Exchange in the Consumer Goods sector.

2. Partially GPM, SIZE has a significant effect on the value of the company in private companies listed on the Indonesia Stock Exchange in the Consumer Goods sector. Whereas OPM, NPM, ROA, ROE, DER are not affected by Company Value.

**Research Limitations**

This study has several limitations, as follows:

1. Short research period. The period observed in this study was only 3 (three) years, from 20015 to 2017.

2. The number of sample companies is small, only 23 companies.

3. The independent variable used is only able to explain 27% of its effect on Company Value in companies listed on the Indonesia Stock Exchange in the Consumer Goods sector.

**Recommendation**

Based on the conclusions and limitations of the study, the improvements suggested by researchers to further researchers are:

1. It is recommended to use a time span of more than 3 years to find a regression equation that provides a better picture of the problem under study.

2. It is recommended not only to use sub-sectors in certain companies in order to get a larger number of samples, so that you will get a picture of more results.

## REFERENCES

Ardimas, W., Wardoyo. (2014) Pengaruh Kinerja Keuangan dan CSR terhadap Nilai Perusahaan Pada Bank Go Public yang Terdaftar Di BEI. *BENEFIT Jurnal Manajemen dan Bisnis*. 18(1), 57-66. doi: https://doi.org/10.23917/benefit.v18i1.1386

Brigham, E. F. & Houston J. F. (2011), *Essentials of Financial Management: Dasar-Dasar Manajemen Keuangan,* Jakarta : Salemba Empat.

Budianto, B. A., Suhadak, & Dzulkirom, A. R. (2013),  Pengaruh  Rasio Profitabilitas sebelum Initial Public Offering(IPO) 2010 Terhadap Nilai Perusahaan dan Kecenderungan Profitabilitas di Tahun 2011,  *JAB* , 2(1), 182-192.

Fahmi, I. (2013), *Pengantar Manajemen Keuangan Teori dan Soal Jawab*, Bandung: Alfabeta

Hanafi, M. & Halim, A. (2012), *Analisis Laporan Keuangan*, Yogyakarta: (UPP) STIM YKPN.

Harmono. (2015), *Manajemen Keuangan Berbasis Balanced Scorecard Pendekatan Teori, Kasus, dan Riset Bisnis.* Jakarta:Bumi Aksara

Hartono, J. (2008), *Teori Portofolio dan Analisis Investasi Edisi ke 5*, Yogyakarta: BPFE

Irawan, A. (2009). Pengaruh Kepemilikan Manajerial terhadap Kebijakan Hutang dan Damapaknya Pada Economic Value Added Perusahaan. *Jurnal Ekspansi.* 1(2), 233-248.

Kasmir, (2015), *Analisis Laporan Keuang,* Jakarta: PT Raja Grafindo Persada

Murhadi, W. R., (2013), *Analisis Laporan Keuangan Proyeksi dan Valuasi Saham,* Jakarta: Salemba Empat

Chasanah, A. N. (2018), Pengaruh Rasio Likuiditas, Profitabilitas, Struktur Modal dan Ukura Perusahaan Terhadap Nilai Perusahaan pada Perusahaan Manufaktur yang terdaftar di BEI Tahun 2015-2017, *JPEB*, 3(1), 39-47. doi: https://doi.org/10.33633/jpeb.v3i1.2287

Noerirawan, R. & Muid, A. (2012), Pengaruh Faktor Internal dan Eksternal Perusahaan terhadap Nilai Perusahaan, *Diponegoro Journal of Accounting.* 1(2), 1-12.

Riyanto, B. (2011). *Dasar-dasar Pembelajaran Perusahaan,* Yogyakarta:BPFE

Sartono, A. (2012). *Manajemen Keuangan Teori dan Aplikasi*, Yogyakarta: BPFE

Sudana, I. M. (2011), Manajemen Keuangan Perusahaan Teori dan Praktek, Jakarta: Erlangga

Syamsusdin, L. (2013). *Manajemen Keuangan Perusahaan,* Yogyakarta:Gramedia Pustaka Utama

Torang, S. (2012), *Metode Riset Struktur & Perilaku Organisasi,* Bandung: Alfabeta

Wiyono, G, & Kusuma, H. (2017). *Manajemen Keuangan Lanjutan Berbasis Corporate Value Creation Edisi 1*, Yogyakarta: UPP STIM YKPN