

The influence of company size, profitability, and ownership structure on company value (Case Study on Property and Real Estate Companies listed on the Indonesia Stock Exchange. 2020-2023)

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ABSTRACT

Objective: This study aims to examine the impact of company size, profitability, and institutional ownership on the value of property and real estate companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2023. **Methods:** Utilizing a quantitative approach, data were analyzed using SPSS, specifically employing multiple linear regression to assess the relationships between the independent variables (company size, profitability, and institutional ownership) and the dependent variable (company value). The sample was selected through purposive sampling of IDX-listed property and real estate companies within the study period. **Results:** Findings indicate that while company size does not significantly influence company value, profitability and institutional ownership positively impact company value in the property and real estate sector. **Novelty:** This research contributes to the field by highlighting the role of institutional ownership in enhancing company value within the Indonesian property and real estate market, providing sector-specific insights that may assist stakeholders in optimizing firm strategies and governance.

INTRODUCTION

The business world is currently developing very rapidly, as evidenced by several aspects such as the emergence of competing companies with competitive advantages that lead to changes in business dynamics. This makes many companies compete fiercely to seize market opportunities to grow their businesses. Companies must be able to create product creativity and innovation that they develop to compete in the market and sustain the company. The company's goal is to go public, which not only seeks profit but also aims to increase the company's value. Sriwahyuni, (2017) the value of a company is the price agreed upon after the company is sold to investors. The value of the company is very important because it reflects the company's financial status and can influence investors' willingness to invest in the company.

The success of a company can be assessed by the realization of its value, meaning that when evaluating the market image or perception of a company, not only that, the market has increased confidence in the company's current performance and future prospects. The company's goal is to generate profit and increase the company's value. This is done by increasing the ownership or welfare of the shareholders. The presence of shareholders and the role of management are very important in determining the amount of profit obtained. Companies that generate higher profits often have larger retained earnings, allowing them to meet their funding needs to expand their business or create

new products from internal funding sources. The larger the retained earnings, the greater the demand for internal funds, which will reduce the use of debt financing.

The company's value is expected to be utilized as much as possible while considering the amount of funds invested. For companies that perform well, the ratio can be improved by demonstrating that the market value of the stock is greater than its book value. The higher the ratio, the more successful the company is in creating value for shareholders. The size of the company is believed to affect the company's value, because the larger the company, the easier it is for the company to obtain funding sources that can be used to achieve the company's goals. However, on the other hand, because the company's risk in carrying out its duties is low, many debts will arise. Larger companies will impact stock prices, and the company's value will be high. Large companies are believed to be able to provide a higher rate of return on investment, thereby reducing investor uncertainty towards the company.

Profitability has a positive impact on the value of the company, because good company prospects can be obtained from high profits, which will attract many investors, thereby increasing the demand for shares (Apriada and Suardikha, 2016). For creditors, profit is the source of interest and principal on loans. Meanwhile, for stock investors, profit determines the change in the value of securities. The most important thing for a company is how profits can maximize its shareholders, not how large the profits generated by the company (Dewi and Wirajaya, 2013). According to (Saidi, 2004 in Dewi and Wirajaya, 2013), profitability is the professional skill of a company to generate profit. Investors invest in companies to acquire them back. The higher the profitability of the company, the greater the return desired by investors, thus making the company more valuable.

Ownership structure arises from the comparison of the number of shares owned in the company. Shares in a company can be owned by individuals, the general public, the government, foreign parties, or people involved in the company. (manajemen perusahaan). Institutional ownership from outside the company can enhance the quality and quantity of managerial oversight, ensuring that managers consistently perform their duties well, which is to prosper the shareholders. According to Firmansah et al. (2017), companies with significant institutional ownership indicate their ability to oversee management. Institutional ownership refers to the proportion of equity owned by institutions such as insurance companies, banks, or other entities at the end of the year. The higher the value of institutional ownership, the less opportunistic behavior of managers can reduce agency costs, which is expected to increase the company's value. (Wahyudi dan Prawestri, 2006). Ririn (2011) stated that the more institutional ownership and foreign ownership there are, the stronger the management oversight will be, which can certainly increase the company's value. Management ownership is the percentage of shares owned by management who are actively involved in the decision-making process or the total capital of the company. Considering the issues that have arisen, the researcher wants to study the "Influence of company size, profitability, and ownership structure on

company value (Case Study on Property and Real Estate Companies listed on the Indonesia Stock Exchange)." (2020-2023)

Theoretical Framework and Hypothesis Development

Agency Theory

Agency theory is the relationship between the owner of a company (principal) and the management of the company (agent), where the owner acts as the owner of the company who delegates responsibility and authority to the management in making decisions. According to Idawati, I.A.A. and G.M. Sudiarta (2014), shareholders as principals are considered only interested in the financial results of the capital provided to the company or the profits from their investments. Meanwhile, agents are considered to derive satisfaction in the form of financial compensation from their work results, such as bonuses, incentives, salary increases, promotions, and so on. At the time the company is established with capital owned by the shareholders, that capital is entrusted to the management chosen by the shareholders to operate.

Ownership structure becomes very important in agency theory, because most conflicting disputes are caused by the separation between ownership and management. Managers and shareholders will increase the company's value, because with its increase, the value of their wealth as shareholders will also rise (Thaharah, 2016). Shareholders are incentivized to enrich themselves by increasing profits, while the company's management is incentivized to optimize profits, allowing them to receive larger bonuses.

The agency theory emphasizes the importance of company owners delegating the management of the company to professionals known as agents who have a better understanding of how to run the business on a daily basis. The goal of separating management from ownership of the company is to ensure that the owners of the company obtain as much profit as possible at the most effective cost (Husna, 2020).

Shareholders can address the agency problem by closely monitoring the performance of managers. Such oversight incurs costs known as agency costs. Agency costs can take the form of various types of compensation for managerial performance, such as bonuses given by shareholders based on the company's ownership.

Company Size.

According to (2012), company size describes the scale of a company, shown in terms of total assets, total sales, average total sales, and average total assets. Therefore, company size is the result of the company's achievements in increasing public trust in the company after going through various processes and the size of the assets owned by the company. Company size can be determined from the total assets owned. Companies with larger total assets indicate that they have entered the maturity stage because the company's cash flow at this stage is positive and is considered to have good prospects for a relatively long period.

If assessed from the perspective of the business owner, a large number of assets will reduce the company's value. However, from a management perspective, the ease of controlling the company will add value to the company (Dewi and Wirajaya, 2013). The

size of the company is believed to affect the company's value, because the larger the company, the easier it will be to obtain funding sources that are utilized to achieve the company's goals. (Indriyani, 2017).

Profitability

Profitability is the ability of a company to generate profit over a certain period. One of the foundations for assessing a company's condition is through the use of profitability ratios. These financial ratios can be used as an analytical tool to evaluate the company's condition and as a method to accurately assess the level of profit obtained from investment activities. Dewi and Wirajaya (2013:363) argue that for a company, what is most important is how to maximize profits for shareholders, not how large the profits generated by the company are. High profitability indicates good opportunities for the company. The higher the company's profitability, the higher the company's efficiency, which can demonstrate good company performance.

Investors invest in companies with the aim of obtaining returns. The higher the company's ability to generate profits, the greater the return that investors will receive. Therefore, investors estimate that the company's profitability is quite good, and they trust to invest in that company. Every company that is established hopes that the shares to be sold will have a higher price potential, so investors need this situation, because the increase in demand for these shares will impact the increase in the company's value.

Institutional Ownership Structure

According to Kusumaningrum and Rahardjo (2013:2), institutional ownership refers to the ownership of shares by parties in the form of institutions in insurance companies, banks, investment firms, and other institutions. Asmawati (2013) argues that institutional ownership plays an important role in overseeing management, as institutional ownership will encourage the addition of more optimal supervision, thereby motivating management to perform their duties well. The existence of such oversight will ensure the welfare of shareholders and encourage managers to consistently demonstrate good performance, which will subsequently impact the company's value.

Institutional ownership is a medium that can be used to reduce conflicts of interest. The presence of institutional investors is considered capable of being an effective monitoring mechanism in every decision made by the management. The larger the percentage of shares owned by institutional investors, the more effective the oversight will be, thus controlling the speculative behavior of managers and reducing agency costs. This is because institutional investors are involved in strategic decision-making, making it difficult for managers to deceive them.

Company Value

Keown in Astuti (2016) argues that the value of a company is the market value of its outstanding securities, debt, and equity. The value of a company is the investors' perception of the company, usually related to its stock price. The value of a company is an important indicator for the overall market evaluation of the company's worth. High stock prices will also make the company's value very high. Investors who believe the

company's future prospects are good will tend to buy the company's shares. As a result, high demand for shares caused the stock price to rise. Therefore, the increase in stock prices indicates that investors have assigned a high value to the company. According to Sasurya and Asandimitra (2013: 431), they argue that stock prices are the only way to interpret a company's value into financial value easily and comparably. A good company value means its performance and prospects are also good, so investors must be willing to pay a higher price to buy its shares. Therefore, simply put, the value of a company is the part of the price that investors are willing to pay to own the company.

Hypothesis Development

The Influence of Company Size on Company Value

Company size refers to the scale of a company's operations. Company size is related to assets. If the total assets of the company are large, then management can maximize the use of the existing company assets. The larger the size of the company, the more it can improve its performance and easily enter the capital market. The ease of access to the capital market indicates that the company has easier access to capital. Thus, investors can catch positive signals and good prospects. The larger the company, the more capital is needed for its operational activities. Therefore, it can be concluded that the larger the company, the larger its debts.

This discussion is supported by the research of Nurul Isvatul Muvidha (2017), which states that the size of the company affects the value of the company. The formed hypothesis is:

H1: Company Size Affects Company Value

The Influence of Profitability on Company Value

Profitability is very important for the effort to achieve the company's goals. High profitability reflects the company's ability to generate significant profits for shareholders. The greater the profit, the greater the company's ability to pay dividends, and this impacts the increase in the company's value. Dewi and Wirajaya (2013:365) state that companies with higher profitability will attract investors to invest in those companies. Investors who buy a large number of the company's shares will increase the company's stock price, thereby raising the company's value.

This discussion is supported by the research of Kevin Yulia Anggraini (2017), which states that profitability affects the value of the company. The formed hypothesis is:

H2: Profitability Affects Company Value

The Influence of Institutional Ownership on Company Value

Institutional ownership is the ownership of company shares by institutions or organizations. The greater the amount of institutional ownership, the higher the company's value. Institutional investors with majority shares will become the management controllers to increase the company's value. For external parties, this is a positive signal, because the management control by institutional investors in formulating the right company policies will impact the increase in the company's shares. This will

affect investor interest, the trading volume of the shares will increase, and the company's share price as well as the company's value will rise.

This discussion is supported by the research of Imron Ramadhani (2019), which states that institutional ownership affects the value of the company.

H3: Institutional Ownership Affects Company Value

RESEARCH METHOD

Research Approach

The approach in this research uses a quantitative approach. Quantitative research is research that emphasizes testing theories by measuring research variables with numbers and analyzing data using statistical procedures. This research is used to determine the influence of company size, profitability, and institutional ownership on company value.

Population and Sample

The population of this research is property and real estate companies listed on the Indonesia Stock Exchange in the years 2020-2023. The sampling for this research uses the purposive sampling method.

Variable Identification

Independent variable is a variable that influences the cause of changes or the emergence of other variables. The independent variables used in this study are three: company size, profitability, and institutional ownership structure. Dependent variable is a variable that is influenced by other variables in the research. The dependent variable used in this research is the company's value.

Analysis Techniques

In this research, several stages will be used as the basis for testing the research data. First, conduct descriptive statistical testing. Second, conduct classical hypothesis testing and research model testing, and third, test the hypothesis.

Multiple Regression Model

This research uses multiple linear regression analysis. Multiple linear regression analysis is a regression model used to detect whether there is a relationship between the dependent variable and the independent variable. The formula for the regression equation model is as follows:

$$PBV = \alpha + \beta_1SIZE + \beta_2ROE + \beta_3KI + e$$

Explanation:

PBV = Company Value

α = Constant

Size = Company Size

ROE = Profitability

KI = Institutional Ownership

e = error

RESULTS AND DISCUSSION

Results

Model Feasibility Test

a. T Test

Variabel	B	t - Table		Keterangan
		t	Sig.	
Konstan	0.809	1.761	0.089	-
SIZE	-0.007	-0.469	0.643	Not significant
ROE	0.032	3.159	0.004	significant
KI	-0.005	-2.109	0.044	significant

Source: Data processed

Based on the hypothesis test in the t-test above, the regression equation can be written as follows:

$$PBV = 0,809 - 0,007 \text{ Size} + 0,032 \text{ ROE} - 0,005 \text{ KI} + e$$

From the regression results above, it can be explained as follows:

1. The constant value is 0.809. If the value of company size (Size), profitability (ROE), and institutional ownership (KI) is zero, then the company value is 0.809.
2. The regression coefficient value for company size (Size) is 0.007. If the company size increases by one unit, the company value will decrease by 0.007.
3. The regression coefficient value for profitability (ROE) is 0.032. If profitability increases by one unit, profitability will increase by 0.032.
4. The value of the institutional ownership regression coefficient (KI) is 0.005. If the size of the company increases by one unit, the institutional ownership will decrease by 0.005.

Based on the hypothesis test results in Table 1, it can be explained as follows:

1. The size of the company (Size) has a significant value of 0.643, which is above 0.05, so the hypothesis is not accepted. This indicates that the size of the company does not affect the value of the company.
2. Profitability (ROE) has a significant value of 0.004, which is below 0.05, so the hypothesis is accepted. This indicates that profitability affects the value of the company.
3. Institutional ownership (KI) has a significant value of 0.044, which is below 0.05, so the hypothesis is accepted. This indicates that institutional ownership affects the value of the company.

b. F Test

F Table		
F	Sig.	Keterangan
7.832	0.001	Berpengaruh

Source: Data processed

Based on the F-test results in Table 2 above, the F value is 7.832 and the Sig. value is 0.001, which is below 0.05. Therefore, it can be proven that the regression model is suitable for use in this study.

Discussion

The Influence of Company Size on Company Value

The hypothesis testing results indicate that the company size is rejected. So the size of the company does not affect the value of the company. The size of a large company does not always accompany an increase in the company's value. The larger the size of the company, the more debt the company needs to finance its business activities, which will increase the company's risk and consequently reduce investor interest in investing. The results of this study are in line with the research by Irena Yulita Aziz (2019), which shows that company size does not affect company value.

The Influence of Profitability on Company Value

The results of the hypothesis testing indicate that profitability is accepted. Therefore, profitability affects the value of the company. Companies with high profitability levels indicate that the company's prospects are good in the future and will be considered by investors as a guarantee to obtain high returns. This attracts investors to invest, thereby increasing the demand for the company's shares. If the demand for the company's shares increases, the company's value will also increase. The results of this study are in line with the research conducted by Kevin Yulia Anggraini (2017), which shows that profitability affects the value of the company.

The Influence of Institutional Ownership on Company Value

The results of the hypothesis testing indicate that institutional ownership (IO) is accepted. Thus, institutional ownership affects the value of the company. Higher institutional ownership will lead to greater oversight by institutional investors to encourage management to perform well. With supervision, managers will pay more attention to the company's performance, thereby reducing opportunistic or selfish behavior. Therefore, institutional ownership will encourage managers to consistently demonstrate good performance in front of shareholders, which will increase the company's value.

CONCLUSION

This study reveals that, within the Indonesian property and real estate sector, company size does not significantly affect company value, while profitability and

institutional ownership exhibit a positive and significant influence on company value. These findings suggest that for companies in this sector, enhancing profitability and encouraging institutional ownership may be effective strategies for increasing market valuation, whereas company size alone does not appear to enhance perceived or actual value. **Implications** of these findings underscore the importance of profitability-focused policies and institutional investment to optimize firm value in the property and real estate market. **Limitations** of the study include its focus on only a single sector within the IDX and its restriction to a specific time frame (2020–2023), which may limit the generalizability of the findings. **Further research** could expand to multiple sectors or longer time spans to examine whether these relationships hold consistently across various contexts, as well as investigate other ownership structures and financial indicators that may contribute to firm value.

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