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Determinants of Company Value Determinants of Company Value

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ABSTRACT. This research is qualitative research using a systematic literature review method. The data source in this research is secondary data in the form of journals that are relevant to the research theme. This research aims to determine the factors that can influence company value. The results of this research illustrate that profitability, leverage, company size, liquidity have an effect on company value, while company growth has no effect on company value.

Keywords: Value; Profitability; Leverage; Liquidity; Company Size;

INTRODUCTION

Business is growing rapidly, thanks to technological advancements. This situation has an impact on the Indonesian economy, as evidenced by its increasingly rapid economic growth each year (Mas'adah et al. 2023). Companies are established to generate profits (Ferdila et al. 2023). The intense competition in the industrial world and the emergence of numerous new companies have led companies to compete to improve their performance to achieve their goals. Companies are formed with a specific purpose. The short-term goal of a company is to maximize profits and improve the welfare of the company's owners or shareholders, while the long-term goal is to increase the company's value (Natalie & Lisiantara 2022). Sustainable profits and stable profit expansion lead to increased company value. Sustainable and socially responsible companies are more attractive to investors and consumers and tend to have higher company values. (Ferdila et al. 2023)

A company's value can be measured by its ability to survive over the long term. In this way, the company's value can be maintained. This means that company value is an overall assessment of a company related to investor perceptions, including equity, outstanding stock price, and profits (Rahmantari 2021). Company value is a specific condition achieved by a company through several years of activity since its founding. It reflects public trust in the company (Siagian & Wijoyo 2022). Company value can be influenced by several factors, including profitability, leverage, company size, liquidity, and growth. Profitability refers to a company's ability to generate profits in relation to sales, total assets, and capital. For profitable companies, stakeholders focus on how much profit the company can generate from sales and business investments. When a company's performance improves, its value also increases (Siagian & Wijoyo 2022). Agustiningsih & Septiani (2022) revealed that profitability has a positive effect on company value. This research aligns with research conducted by (Astakoni and Wardita 2020; Hidayat and Khotimah 2022; Nur et al. 2024). However, Bagaskara et al. (2021) revealed that profitability has no effect on firm value.

Leverage indicates a company's ability to manage debt to generate profits. High debt usage increases a company's risk, which often impacts its value (Putri & Noor 2022). To obtain funding, companies can use internal sources such as depreciation and revenue, or they can also obtain financing from external sources such as debt and equity.

In business, debt can be used to increase capital and generate higher profits. Leverage refers to a company's ability to meet its financial obligations to the company, both long-term and short-term. By utilizing loans effectively, you can leverage borrowed funds to advance your business activities (Tony Irawan 2020). Sinaga et al. (2021) revealed that leverage has a positive effect on firm value. This research also aligns with research conducted by Aziz & Widati (2023). However, Ferdila et al. (2023) found that leverage has no effect on firm value.

Company size is also a factor influencing firm value, as reflected in assets, average total assets, sales, and average total revenue, and can also influence firm value. A company's ability to raise funds in the capital market can be influenced by its size. Relatively large companies, especially those with control over societal needs, are typically under government and public oversight, which can increase firm value (Nur et al. 2024). Siagian & Wijoyo (2022) found that firm size has a positive effect on firm value. However, Arjun Rohmatulloh (2021) found that firm size has no effect on firm value.

Liquidity is measured by the current ratio (CR), which represents a company's ability to meet its short-term obligations. A high level of liquidity can increase creditors' confidence in providing financing and ultimately increase a company's value in the eyes of creditors and potential investors. A company's ability to repay short-term debt on time demonstrates good company quality in the eyes of investors and creditors. Investors perceive companies with good liquidity as performing well, thus attracting investors to invest their funds in the company (Mei Yudha & Bayu Putra 2022). Natalie & Lisiantara (2022) found that liquidity has a positive effect on company value. However, Jenny (2021) and Hiyun Puspita Sari et al. (2023) found that liquidity has no effect on company value.

A company's growth can also affect its value. Company growth refers to the company's development based on sales, assets, or profits. This study examines sales growth based on sales volume. Therefore, a company's high growth rate means the company is generating better sales compared to the previous period, thus increasing its value because investors trust its performance (Sinaga et al. 2021). Mei Yudha & Bayu Putra (2022) revealed that growth has a positive influence on company value. However, Dwi & Mohamad (2023) revealed that growth has no effect on growth.

Extensive research has been conducted on the influence of determinants on company value. Therefore, this research examines the influence of determinants on company value using a systematic literature review. This research is important to identify aspects and potential areas that need improvement. This can serve as a reference for decision-making and strategies to achieve profits. The data collected relates to articles discussing this study aims to determine the determinants of firm value between 2020 and 2024. The inconsistency of previous research results motivated the researcher to conduct a systematic literature review

METHOD

This research uses a systematic literature review method. The process of reviewing literature is defined as a written summary of data from journal articles, books, and other documents that provides an overview of current and past information about a research study.

The systematic literature review process and the SLR method can be used for the literature search. The systematic literature search (SLR) technique will be used to identify and evaluate research findings. The systematic literature search (SLR) method is divided into several stages. In the first stage, the researcher collected all data received from various journals with complete data.

After finding a sample of 30 magazines containing the keywords "the effect of profitability, leverage, company size, liquidity, and company growth on firm value," the data were then identified. The next step is to check whether the journal's publication year falls within the last four years, namely between 2020 and 2024. A screening process is then conducted to determine whether the journal's topic aligns with the research theme, namely company value. If a topic is found to be inappropriate, the article will be separated. (Valencia et al. 2022).

RESULTS AND DISCUSSION

Profitability to Company Value

In analyzing financial statements to assess whether a company's value is good or bad, one indicator is ratio analysis, one of which is the profitability ratio, which illustrates a company's ability to generate profits. According to (Aziz and Widati 2023), profitability has a significant impact on company value, meaning that a company's profit will increase its value.

Higher profits will increase its value, while lower profits will decrease its value. Meanwhile, according to (Natalie and Lisiantara 2022), profitability, as proxied by ROA, has no effect on company value. This is because, on average, research indicates that a negative profitability value indicates a decline in company value. A decline in profitability will impact investor decisions because it is considered long-term. Companies are not effective enough in generating profits with their assets. Nevertheless, profitability significantly impacts company value, as the company's ability to generate profits will be used as an assessment by investors when making decisions.

Leverage on Company Value

Leverage influences company value, as evidenced by several assumptions. According to (Natalie and Lisiantara 2022), leverage has a negative and significant effect on company value. According to (Aziz and Widati 2023), leverage affects company value, meaning that company value will increase if the company is subject to income tax and uses debt. According to Agustiningsih and Septiani (2022), leverage affects company value. Profit can grow when debt increases, which will affect value company (Mas'adah et al. 2023). However, other opinions differ. According to (Sinaga et al. 2021), leverage does not affect company value, but simultaneously, leverage does.

Companies must manage their debt well. The amount of debt can reduce taxes and increase company value. The level of debt will affect company value because proper debt management can increase investor confidence.

Company Size on Company Value

Company size influences company value, as evidenced by research by (Agustiningsih and Septiani 2022), which states that company size affects company value. This means that larger company size will make asset management more stable and generate revenue, increasing investor confidence. According to (Aziz and Widati 2023), company size has a significant positive effect on company value, meaning that larger companies attract investors because large companies are perceived as capable of managing their assets well. However, according to Natalie and Lisiantara (2022), company size does not influence the company's value, as companies with high profits do not necessarily require large sizes. Investors will assess a company's performance and profits, even if the company is small. Similarly, according to Sinaga et al. (2021), company size does not influence company value. According to Siagian and Wijoyo (2022), company size does not affect company value. Investors argue that when total assets increase, a company's retained earnings will be higher than the dividends received, thus affecting company value (Mas'adah et al. 2023).

Liquidity to Company Value

The liquidity ratio provides an overview of a company's ability to meet its short-term obligations. Liquidity influences firm value. (Natalie and Lisiantara, 2022) state that liquidity has a positive and significant effect on firm value. A company with low liquidity indicates a company in good financial condition. (Ferdila et al., 2023) also states that liquidity influences firm value. (Herdiani et al., 2021) also states that liquidity influences firm value.

Other opinions state that leverage has no effect on firm value (Bagaskara et al., 2021). Furthermore, (Arjun Rohmatulloh, 2021) states that liquidity does not affect firm value. High liquidity can be a barrier for company management in managing short-term asset surpluses. Increasing firm value can be influenced by high liquidity. High liquidity indicates a company's ability to repay its short-term debt, which in turn impacts its growth (Mas'adah et al., 2023).

Company Growth and Company Value

Company growth reflects the state of a company's internal management. Good company growth will also influence its development. Company growth has no impact on company value. This is evidenced by the opinion of (Aziz and Widati 2023), who stated that company growth does not affect company value. This is because growth is considered to decrease company value. With large growth, the company's operational needs increase, which is not well-received by investors. Sinaga et al. 2021 also stated the same thing, stating that company growth has no impact on company value.

CONCLUSION

Hasil Review artikel menilai bagaimana pengaruh profitabilitas, leverage, ukuran perusahaan, likuiditas, dan pertumbuhan perusahaan terhadap nilai perusahaan. Dan setelah mereview jurnal ilmiah diatas dapat disimpulkan bahwa:

1. Profitabilitas berpengaruh terhadap nilai perusahaan, kemampuan perusahaan dalam menghasilkan laba akan berpengaruh dengan keputusan investor, semakin besar profit yang dihasilkan perusahaan maka nilai perusahaan pun semakin baik dan akan menarik minar investor.
2. Leverage berpengaruh terhadap nilai perusahaan, Perusahaan yang mengelola hutangnya dengan baik, besarnya hutang akan dapat mengurangi pajak dan meningkatkan nilai perusahaan.
3. Ukuran perusahaan berpengaruh terhadap nilai perusahaan, ukuran perusahaan yang besar dianggap mampu mengelola aset nya dengan baik dimata investor dan besarnya perusahaan akan meningkatkan kepercayaan investor sehingga dengan ukuran perusahaan yang besar akan meningkatkan nilai perusahaan.
4. Likuiditas berpengaruh terhadap nilai perusahaan, perusahaan dengan likuiditas yang rendah diartikan bahwa perusahaan dalam kondisi keuangan yang baik.
5. Pertumbuhan perusahan tidak berpengaruh terhadap nilai perusahaan, karena pertumbuhani dianggap dapat menurunkan nilai perusahaan, dengan pertumbuhan yang besar maka kebutuhan operasional perusahaan pun semakin besar dan hal ini kurang direspon baik oleh investor.

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