IJMA (Indonesian Journal of Management and Accounting)
Volume 5 No. 1 | 2024
https://ejournal.almaata.ac.id/index.php/IJMA/index

THE INFLUENCE OF COMPANY VALUE AND COMPANY SIZE ON FINANCIAL PERFORMANCE IN THE FINANCIAL SECTOR DURING 2022

[1]Mega Amalia Putri [2]Asri Royani [3]Muhamad Ikbal Surya Saputra [4]Iyang Siti Tarwisah

[1,2,3,4] Univeristas Siliwangi, Tasikmalaya, Indonesia

* Corresponding author: megaamaliaputri18@gmail.com

Article Info

Article History

Received : January 12th, 2024
Revised : February 14th, 2024
Accepted : March 3rd, 2024
Published : April 24nd, 2024

Article DOI:
10.14421/EkBis.2022.6.1.1555

ABSTRACT

Financial performance is an assessment of a company's performance to see whether a company is good or not by calculating financial ratios. This research aims to determine the influence of company value and size on financial performance in the financial sector during 2022. The data used is secondary data in the form of financial reports of companies listed on the IDX. The sample used was 40 financial reports in the financial sector. The sample in this study used non-probability sampling with a total of 45 data tested with SMART PLS 4.0. The data analysis technique in this research uses the Structural Equation Modeling (SEM) technique. This research shows that in the financial sector in 2022, company value has no effect on financial performance. On the other hand, company size influences financial performance

Keywords: Company Value, Company Size, Financial Performance

INTRODUCTION

The financial sector has become an essential pillar of a country's economy. This sector can influence the regional economy and significantly spurs economic growth in a region (Supartoyo et al., 2018). As a sector with enormous power in the capital market, the financial industry must always maintain its financial performance so that it is in a good position to maintain its survival and investor confidence. A company's financial performance can show how capable the company is of generating profits and making shareholders prosperous (Hidayat et al., 2021). According to Bahri (2018), financial performance will influence market or stock exchange share prices. Therefore, maintaining a company's financial performance is one of the long-term goals for every company, especially large companies listed on the Indonesia Stock Exchange (BEI), including companies included in the financial sector.

Based on information from Bisnis.com, until 2023, shares in the financial sector or IDX Financials will succeed in controlling the Indonesian capital market. This is proven by various issuers from the financial sector, who always fall into the ten market caps category. Companies Market Cap noted that 10 Indonesian companies, including the financial sector, have the largest market capitalization value until early 2023. First, one of the financial sectors, namely Bank Central Asia, has a capitalization value of US$71.86 billion or the equivalent of Rp. 1,090 trillion. This value is very high and reasonably far from other issuers. The financial sector still occupies the second place, namely Bank Rakyat Indonesia, with a capitalization value of US$47.86 billion. This shows that the financial sector has enormous power in the capital market. This value is, of course, influenced by good financial performance, which can provide investors with confidence.

Financial performance is an assessment of a company's performance to see whether or not the company is good. According to Putri & Maulana (2023), positive profit growth shows good company performance. A company's financial performance can be seen from the calculation of the company's financial ratios. One way to assess and determine a company's financial performance is by using profitability ratios (Azis et al., 2017). The profitability ratio is a comparative ratio that can measure a company's ability to earn profits from income related to assets, sales and equity based on specific measurements (Cahyaningrum et al., 2023). In this research, the profitability ratios used are Return On Assets (ROA), Return On Equity (ROE) and Return On Investment (ROI). Return on Assets (ROA) is a ratio that shows the profit generated by a company by utilizing its assets. Return on equity (ROE) is a ratio that measures a company's ability to generate profits by using its capital. Lastly, return on investment (ROI) is a ratio that measures the return on investment returns.

Various factors, such as company value and size, influence a company's financial performance. When investing in a company, company value becomes investors' perception of the company because company value is often linked to share prices. This means that the company's value will be higher if the share price is higher. The wealth of shareholders and companies can be represented by the high and low stock market prices, which are also a reflection of investment decisions, funding, and asset management (Susanto & Indrabudiman, 2023). There are three essential types of investor assessment of the value of a company's shares: assessment of book value, evaluation of market value, and assessment of intrinsic value. One approach to assessing the inherent value of shares is determining the book value per share or Price to Book Value (PBV). Price to Book Value (PBV) reflects the relationship between the stock market price and the book value per share (Harahap et al., 2022). PBV is a ratio that can be used to measure the value of a company. By calculating this PBV ratio, the level of undervalued or overvalued share prices calculated based on the book value after being compared with the share market price can be known so that it can be used as an investment consideration. If the PBV ratio is higher, the company has succeeded in creating good corporate value and can also provide prosperity for shareholders.

The financial performance of a company is also influenced by company size. A study conducted by Arisadi & Djazuli (2013) stated that company size influences the financial performance of manufacturing companies on the IDX. Company size describes how large or small a company is. Company size explains the company's experience and ability to manage investment risks from company shareholders to make shareholders prosperous (Anggraeni, 2015). Apart from that, research by Ningsih & Wuryani (2021) states that company size influences financial performance. Large companies are more stable in generating income in the form of profits than small companies, which will later improve the company's financial performance.

Every company aims to increase profits to maintain the company's survival and make shareholders prosperous. The financial sector has an important role in triggering economic growth and has the same goal. In order to attain this mutual goal, the company must be able to maintain its financial performance so that it remains stable. Therefore, the research entitled "The Influence of Company Value and Company Size on Financial Performance in the Financial Sector During 2022" aims to analyze the influence of company value and size in the financial sector. The results of this research can be a suggestion for companies, especially companies in the financial sector, to maintain financial performance and look at potential risks.

METHODOLOGY

Sample

In this research, the samples used are financial sector companies listed on the Indonesia Stock Exchange in 2022. This sampling technique uses non-probability sampling with a purposive sampling method. The data used in the research amounted to 40 financial reports.

Variables and Their Measurement

The value of the company

Company value is the company's state in its actual context (Luis, 2022). According to Lestari et al., (2023) company value describes a company's achievements. The higher the company value, the better it shows that its performance is better (Yuliem, 2018). Company value is measured through the Price Book Value (PBV) ratio with the following formula:

$$\mathbf{PBV} = \frac{\mathbf{Share\ Price\ per\ Share}}{\mathbf{Book\ Value\ per\ Share}}$$

Company Size

Company size is the size of a company, which is reflected in the total assets owned by the company on the year-end balance sheet (Nurminda et al., 2017). Fisdiyah et al., (2020) said that the greater the assets owned by a company, the higher the productivity. This measurement uses the natural log of total assets with the following formula:

$$\mathbf{Company\ Size} = \mathbf{Ln\ Total\ Assets\ Financial\ Performance}$$

Financial Performance

Financial performance results from management's decisions to achieve goals effectively and efficiently (Haukilo & Widyaswati, 2022). Financial performance indicators can be measured from various ratios, such as ROA, ROE, and ROI, which are formulated as follows:

$$\text{ROA} = \frac{\textbf{Net Profit Before Tax}}{\textbf{Total Assets}}$$

$$\text{ROE} = \frac{\textbf{Net Profit After Tax}}{\textbf{Total Equity}}$$

$$\text{ROI} = \frac{\textbf{Net Profit After Tax}}{\textbf{Total Assets}}$$

Data Analysis Technique

This research uses Structural Equation Modeling (SEM) techniques. Structural Equation Modeling (SEM) is a technique that can carry out statistical modelling involving relationships between variables and indicator models simultaneously (Fernandes, 2017). The SEM-PLS approach analyses the complexity of the relationship between independent variables, resulting in a clearer understanding of the influence of dependent variable factors.

RESULT AND DISCUSSION

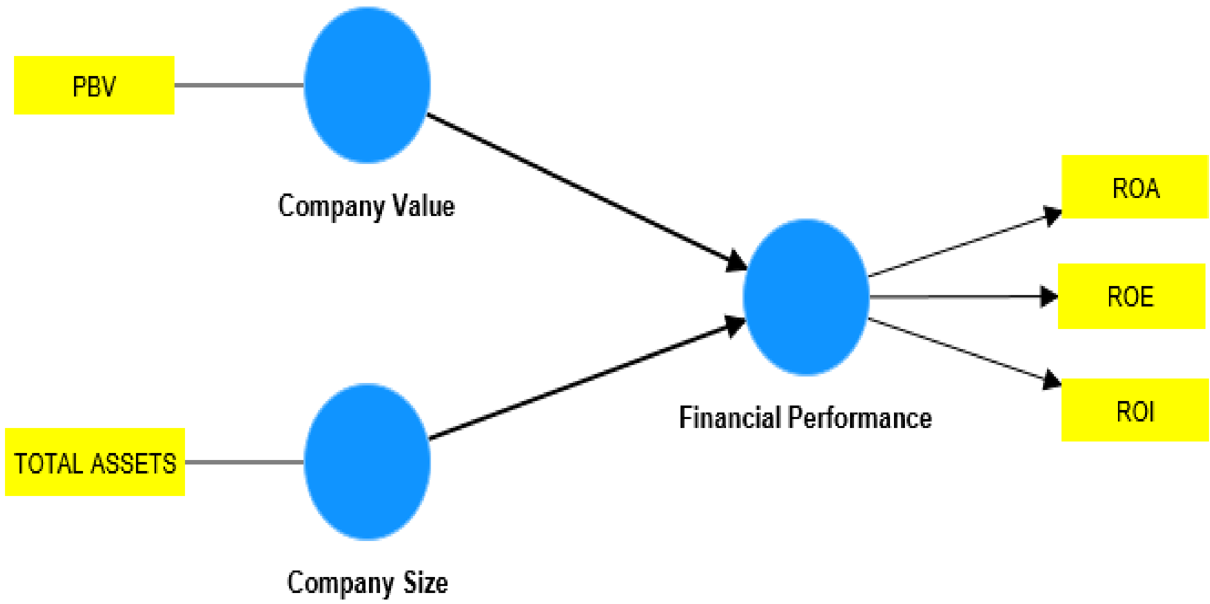

Figure 1. Variable Framework

Test Outer Model

The validity test is used to analyze the indicators of each variable. The validity test is valid if the outer loading and AVE values are more significant than 0.5.

Table 1. Validity Test Result

Variable	Indicator	Outer Loading	AVE	Criteria	Description
Company Value	PBV	1.000	1.000	>0.50	Valid
Company Size	Total Assets	1.000	1.000	>0.50	Valid
Financial Performance	ROA	0.923	0.852	>0.50	Valid
	ROE	0.921			Valid
	ROI	0.945			Valid

Table 1 above shows that each indicator of the variables used in this research is more significant than 0.5. This means that all the indicators in this research are valid.

Table 2. Reability Test Result

Variable	Cronbach's Alpha	rho_A	Composite Reliability	Criteria	Description
Company Value	1.000	1.000	1.000	>0.70	Reliabel
Company Size	1.000	1.000	1.000	>0.70	Reliabel
Financial Performance	0.917	1.047	0.944	>0.70	Reliabel

Table 2 above shows that the reliability test of each variable used in this research is more significant than 0.70. This means that all the variables in this research are reliable.

Test Inner Model

Table 3. Model Fit Result (Model Fit)

Size	Result	Criteria	Description
SRMR	0.058	< 0.08	Model Fit
NFI	0.755	0-1	Model Fit

In Table 3 above, it can be seen that the model fit results show that there is conformity with the model criteria. This means that the data used in this research matches the model or model fit.

Table 4. Adjusted R-square Test Result

Variable	Indicator	R Square
Financial Performance	ROA	0.064
	ROE	
	ROI	

In Table 4 above, it can be seen that the Adjusted R-square Test results have a value of 0.064. This means that simultaneously, the total influence of company value and company size on financial performance is 64%, and the remaining 36% is explained by other variables not examined.

Table 5. Hypothesis Test Reslut

Track	T Statistic (>1,96)	P Value (<0,05)	Description
Company Value -> Financial Performance	0.260	0.398	No Effect
Company Size -> Financial Performance	2.259	0.012	Influential

The Influence of Company Value on Financial Performance

In Table 3 above, it can be seen that the company value variable has a t statistics value of 0.260 < 1.96, while the p value of the company value variable is 0.398 > 0.05. It can be concluded that the company value variable does not affect financial performance. Company value describes shareholders' prosperity level (Utami & Yusniar, 2020). The results of this research are inversely proportional to dividend policy theory, which is used as the basis for determining a company's dividend policy, such as the theory of "The Bird in the Hand", which states that investors tend to prefer to receive dividends rather than capital gains (Meidawati et al ., 2020). This means that the higher the dividends distributed, the higher the company value (Hakami, 2018). The company provides a positive signal to investors. Investors believe that companies that have good financial performance have the potential to offer high dividends. This is because companies with high scores tend to have strong financial performance.

In this research, high company value does not indicate better financial performance. This is because the company's high share prices in the financial sector will be overvalued in 2022, causing a decline in share value. Although company value is often considered an indicator of shareholder prosperity, other factors can influence this relationship. For example, overvalued share prices can indicate market distortions that are not in line with the company's performance. This often happens, especially in the financial sector, where market expectations of a company's growth or profits can be overly optimistic.

The decline in share value also reduces the level of investor confidence and creates uncertainty regarding the company's future performance, which can impact the sustainability of the company's performance. Besides that, this causes the company not to generate profits relative to the amount of shareholder investment. In this case, the company's sustainable performance becomes vulnerable to irrational market fluctuations. This will also affect the company's funding sources through new share offerings, which can present additional challenges in managing liquidity and business growth.

The Influence of Company Size on Financial Performance

Table 3 above shows that the company size variable has a T statistics value of 2.259 > 1.96, while the p-value of the company size variable is 0.012. It can be concluded that the company size variable significantly affects financial performance. This research shows that company size as an indicator of the total assets owned by the company greatly determines the financial performance of financial sector companies. This is, of course, because all company-owned assets can run effectively and efficiently to produce promising profitability. This means that when all the assets owned are more significant, the size of a company will be greater. This is reflected in financial sector companies tending to experience an increase in total assets and total revenue, which indicates an increase in company size. The company's large size will undoubtedly impact the more outstanding capital that can be invested, thus indicating that more money turnover can improve financial performance.

Rajan et al., (2001) said that critical resources theory shows that the larger the company scale, the profitability of a company will also increase. This illustrates that large companies can achieve economies of scale so that they have the advantage of reducing production costs, which occur when companies produce in large quantities using the same resources. This means that a high company size will increase a company's financial performance.

The results of this research also align with research conducted by Haukilo & Widyaswati (2022), showing that company size has a positive and significant effect on financial performance. This indicates that the company's increasing size reflects its high financial performance. Apart from that, research conducted by Arisadi & Djazuli (2013) also revealed that the size of a manufacturing company impacts the profits obtained by the company. A large number of assets indicates the larger the size of the company. This also shows a unidirectional relationship between company size because companies that go public can profit more from their operating activities. An increase in company size will increase the company's financial performance.

The research results show that the company value variable measured through PBV does not affect financial performance. In this research, high company value does not indicate better financial performance. This is because the share prices of financial sector companies are overvalued, causing a decline in share value. Meanwhile, the company size variable, which is measured by all total assets owned by the company, affects financial performance. This is because all assets owned by the company can run effectively and efficiently so that it can produce promising profitability. This research also provides information and considerations for management so they can carry out a comprehensive evaluation, including revenue, profit and cash flow. Apart from that, management must balance supply and demand for shares to reduce excessive price pressure. This research has limitations, such as the time used being relatively short and the sample needed to be more extensive. Future researchers should use a more extended period and expand the sample. This aims to ensure that the resulting conclusions have broader relevance.

REFERENCES

Anggraeni, D. (2015). Pengaruh Current Ratio, Quick Ratio, Debt to Equity Ratio dan Ukuran Perusahaan Terhadap Kinerja Perusahaan (Studi Empiris Pada Perusahaan Manufaktur Sub Sektor Makanan dan Minuman yang Terdaftar di Bursa Efek Indonesia Periode 2012-2014). *Jurnal Akuntansi Dan Keuangan*, *4*(2), 220–239.

Arisadi, Y. C., & Djazuli, D. A. (2013). Pengaruh Ukuran Perusahaan , Umur Perusahaan , Current Ratio , Debt to Equity Ratio dan Fixed Asset to Total Asset Ratio terhadap Kinerja Keuangan pada Perusahaan Manufaktur di Bursa Efek Indonesia. *Jurnal Aplikasi Manajemen*, *2*(4), 567–574.

Azis, A., Hartono, U., & SE, M. (2017). Pengaruh Good Corporate Governance, Struktur Modal, Dan Leverage Terhadap Kinerja Keuangan Perusahaan Pada Sektor Pertambangan Yang Terdaftar Di Bursa Efek Indonesia Tahun 2011-2015. *Jurnal Lmu Manajemen*, *5*(3), 1–13.

Bahri, S. (2018). Pengaruh Kinerja Keuangan Terhadap Harga Saham (Studi Pada Perusahaan Sub Sektor Makanan dan Minuman yang Terdaftar di Bursa Efek Indonesia). *JRAK: Jurnal Riset Akuntansi Dan Komputerisasi Akuntansi*, *9*(1), 1–21. https://doi.org/10.1016/j.biotechadv.2018.09.003%0Ahttp://dx.doi.org/10.1016/j.bbamem.2015.10.011%0Ahttp://www.ncbi.nlm.nih.gov/pubmed/27100488%0Ahttp://www.ncbi.nlm.nih.gov/pubmed/26126908%0Ahttp://dx.doi.org/10.1016/j.cbpa.2017.03.014%0Ahttps://doi.org/

Cahyaningrum, Y., Widodo, E., & Widuri, D. T. (2023). Pengaruh Kinerja Keuangan Terhadap Nilai Perusahaan dengan Good Corporate Governance (GCG) Sebagai Variabel Moderasi. *Triwikrama: Jurnal Ilmu Sosial*, *01*(05), 50–60.

Fernandes, A. A. R. (2017). *Metode Statistika Multivariat Pemodelan Persamaan Struktural (SEM) Pendekatan Warppls*. Universitas Brawijaya Press.

Fisdiyah, I., Suryono, A., Marsuking, & Setiorini, K. (2020). Pengaruh Profitabilitas, Leverage, Ukuran Perusahaan, Dan Capital Intensity Ratio Terhadap Effective Tax Rate (Studi Empiris Pada Perusahaan Sektor Industrials Yang Terdaftar Di Bursa Efek Indonesia Periode 2019 - 2021). *IJMA : Indnesian Journal of Management and Accounting*, *1*(1), 74–85.

Hakami, M. A. F. (2018). Pengaruh Kebijakan Deviden Terhadap Harga Saham. *Manajemen Bisnis*, *4*(1), 73–83.

Harahap, R. M., Halim, E. H., & Indrawati, N. (2022). Analisis Pengaruh Laverage Dan Ukuran Perusahaan Terhadap Nilai Perusahaan Dengan Profitabilitas Sebagai Variabel Mediasi. *Jurnal Administrasi Bisnis Terapan (JABT)*, *5*(1), 56–64. https://doi.org/10.7454/jabt.v5i1.1040

Haukilo, L. M. M., & Widyaswati, R. (2022). Pengaruh Likuiditas, Manajemen Aset, Perputaran Kas, Struktur Modal dan Ukuran Perusahaan Terhadap Kinerja Keuangan. *Jurnal Ganeshwara FEB UTP Surakarta*, *2*(2), 1–13.

Hidayat, T., Triwibowo, E., & Marpaung, N. V. (2021). Pengaruh Good Corporate Governance dan Kinerja Keuangan Terhadap Nilai Perusahaan. *Jurnal Akuntansi Bisnis Pelita Bangsa*, *6*(1), 1–18. https://doi.org/10.52364/synergy.v1i2.6

Lestari, E., Yuliawati, & Amrina, D. H. (2023). Corporate Social Responsibility (CSR) dan Good Corporate Governance (GCG) Terhadap Nilai Perusahaan Sektor Pertambangan.

IJMA : Indnesian Journal of Management and Accounting, *2*(2), 100–107.

Luis, C. (2022). Pengaruh Perencanaan Pajak, Profitabilitas, Ukuran Perusahaan Terhadap Nilai Perusahaan Pada Perusahaan Pertambangan. *Jurnal Pendidikan Akuntansi Indonesia*, *20*(2), 99–108.

Meidawati, N., Nurfauziya, A., & Chasanah, U. (2020). Faktor – Faktor Yang Mempengaruhi Kebijakan Dividen. *Nominal : Barometer Riset Akuntansi Dan Manajemen*, *9*(2), 310–327. https://doi.org/10.52160/ejmm.v3i11.294

Ningsih, D. A., & Wuryani, E. (2021). Kepemilikan Institusional, Leverage Dan Ukuran Perusahaan Terhadap Kinerja Keuangan. *AKUNESA: Jurnal Akuntansi Unesa*, *9*(2), 18–23.

Nurminda, A., Isynuwardhana, D., & Nurbaiti, A. (2017). The Influence Of Profitability, Leverage, and Firm Size Toward Firm Value (Study Of Manufacture Companies Goods And Foods Sub Sector Listed in Indonesia Stock Exchange 2012-2015). *E-Proceeding of Management*, *4*(1), 542–549.

Putri, M. A., & Maulana, H. Z. (2023). Memprediksi Kebangkrutan Menggunakan Altman Z-Score Pada Perusahaan Manufaktur Sektor Makanan dan Minuman. *Jurnal Cendekia Keuangan*, *2*(2), 55. https://doi.org/10.32503/jck.v2i2.3431

Rajan, R. G., Zingales, L., & Kumar, K. B. (2001). *What determines firm size?*

Supartoyo, Y. H., Juanda, B., Firdaus, M., & Effendi, J. (2018). Pengaruh Sektor Keuangan Bank Perkreditan Rakyat terhadap Perekonomian Regional Wilayah Sulawesi. *Kajian Ekonomi Dan Keuangan*, *2*(1), 15–38. https://doi.org/10.31685/kek.v2i1.207

Susanto, E., & Indrabudiman, A. (2023). Pengaruh Good Corporate Governance dan Corporate Social Responsibility Terhadap Nilai Perusahaan dengan Kinerja Keuangan Sebagai Variabel Intervening. *Jurnal Keuangan Dan Perbankan*, *19*(2), 69–80. https://doi.org/10.35384/jkp.v19i2.386

Utami, R., & Yusniar, M. W. (2020). Pengungkapan Islamic Corporate Social Responsibility (ICSR) Terhadap Nilai Perusahaan Dengan Kinerja Keuangan Sebagai Variabel Intervening. *EL MUHASABA : Jurnal Akuntansi*, *11*(2), 162–176.

Yuliem, M. L. (2018). Pengaru Perencanaan Pajak (Tax Planing) Terhadap Nilai Peruasahaan (Firm Value) Pada Perusahaan Sektor Non Keuangan Yang Terdaftar Di Bei Periode 2013-2015. *Calyptra: Jurnal Ilmiah Mahasiswa Universitas Surabaya*, *7*(1), 520–541. https://doi.org/10.33395/juripol.v5i1.11319