

THE INFLUENCE OF COMPANY SIZE, DIVIDEND POLICY, AND PROFITABILITY ON COMPANY VALUE IN LQ45 COMPANIES IN 2020–2024

Endah Arianti Putri¹, Januar Afrino², Arfianti Novita Anwar³, Devi Novianti⁴
Universitas Pasir Pengaraian,
putriendaharianti@Gmail.com, Rino_januar@yahoo.com , wantdvee@gmail.com,
devinovianti@upp.ac.id

Abstract

This study aims to determine the factors that significantly influence company value in LQ45 companies on the Indonesia Stock Exchange in 2020-2024. The objects in this study are LQ45 companies listed on the Indonesia Stock Exchange. The method used for sampling is propositional sampling based on predetermined criteria. The number of samples in this study was 24 companies with 120 data. The data was then subjected to descriptive statistical analysis, then the data was analyzed using multiple linear regression equations, namely Statistics Product and Service Solution (SPSS.20). In multiple linear regression analysis, there is a correlation coefficient test and a coefficient of determination worth 0.444 or 44.4% of the ability of independent variables to influence the dependent variable. The results of this study are: partially, company size (LN) dividend policy (DPR) does not affect company value. Partially, profitability (ROA) affects company value. While simultaneously, company size, dividend policy and profitability simultaneously affect company value.

Keywords: Company Size, Dividend Policy, Profitability, Company Value, Signaling Theory

Introduction

Corporate value is an important indicator reflecting investor perceptions of a company's performance and prospects, particularly for publicly traded companies. A high corporate value demonstrates a company's ability to improve shareholder welfare in the future. Therefore, investors carefully consider corporate value before investing.

One factor influencing corporate value is company size, as larger companies generally have easier access to funding and greater public trust (Setiawati & Lim, 2018). However, previous research has shown inconsistencies, with some studies indicating that company size has either a negative or no effect on company value (Indriyani, 2017; Anisa et al., 2022).

Furthermore, profitability is also an important factor reflecting a company's ability to generate profits. Several studies have found that profitability has a positive effect on firm value (Indriyani, 2017; Pasaribu et al., 2022). Dividend policy signals a company's commitment to earnings stability, but several studies have found that dividend policy has no significant effect on firm value (Anisa et al., 2022).

The inconsistency of previous research findings and the changing market conditions that have occurred in the LQ45 index in recent years make this topic important to re-examine. Therefore, this study was conducted with the title:

"The Effect of Company Size, Dividend Policy, and Profitability on Firm Value in LQ45 Companies 2020–2024."

Theoretical Framework

Signaling Theory

Signaling theory explains that company management strives to convey information to investors regarding the company's prospects and condition. This information serves as a signal that can influence investors' assessment of the company's value. Positive signals, such as increased profits or dividends, can attract investor interest because they are perceived as reflecting good performance and prospects (Brigham & Houston, 2019).

Agency Theory

Agency theory describes the relationship between company owners (principals) and management (agents). Management is empowered to run the company's operations in the interests of shareholders. However, differing interests can give rise to agency conflicts, necessitating oversight mechanisms to ensure management decisions remain aligned with the owners' goals (Supriyono, 2018).

Company Size

Company size indicates the scale of a company, as measured by total assets, sales, and share value. Larger companies generally have easier access to funding and greater operational stability, which can increase company value. Company size can be calculated using the following formula:

$$\text{Company Size} = \ln (\text{Total Assets})$$

(Entis Haryadi, 2016; Wahyudi dkk., 2016).

Dividend Policy

Dividend policy is a company's decision whether to distribute profits to shareholders or retain them as capital to finance future growth. This policy can provide a signal regarding a company's prospects. The formula for measuring dividend policy uses the Dividend Payout Ratio.

$$\text{Dividen Payout Ratio} = \frac{\text{Dividen Per Share}}{\text{Earning Per Share}}$$

(Sartono, 2016; Senata dkk., 2016).

Profitability

Profitability indicates a company's ability to generate profit from its resources. One frequently used indicator is Return on Assets (ROA), which measures a company's ability to manage assets to generate profit. The ROA formula:

$$\text{ROA} = \frac{\text{EBIT}}{\text{Total Assets}}$$

The higher the ROA, the more effective the company is in increasing value (Kasmir, 2016; Brigham & Houston, 2021).

Company Value

Company value reflects the market's perception of the company's economic value, as reflected in its share price. A commonly used indicator is Price to Book Value (PBV), which demonstrates a company's ability to create value for shareholders:

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

$$\text{BV} = \frac{\text{Total Equity}}{\text{Total Outstanding Shares}}$$

(Setiadharmas & Machali, 2017; Brigham & Houston, 2021).

Method

The objects of this study were companies included in the LQ45 Companies listed on the Indonesia Stock Exchange in 2020–2024. This study used a quantitative descriptive method, which is a method that describes and interprets data based on the numbers contained in the company's financial statements. The study population was 45 LQ45 companies during that period, while the sample was selected using a purposive sampling technique based on the criteria of companies appearing in the LQ45 index at least 10 times during the study period, resulting in 24 companies as samples. The type of data used was secondary data in the form of financial statements obtained from the official website of the Indonesia Stock Exchange (www.idx.co.id). The data collection technique was carried out using the documentation method through the collection of financial position statements, income statements, statements of changes in equity, stock summaries, and notes to the financial statements of each sample company.

The data analysis technique in this study uses multiple linear regression analysis to determine the effect of Company Size, Dividend Policy, and Profitability on Company Value. The t-test is used to see the effect of each independent variable partially, while the F-test is used to determine the effect of all three independent variables simultaneously with a 5% significance level. The correlation coefficient (r) test is used to see the level of relationship between variables in the model, and the coefficient of determination (R^2) is used to measure the ability of the regression model to explain the dependent variable, where a larger R^2 value indicates a better model.

Results

Uji Signifikan Parsial (Uji Statistik t)

The t-test is used to determine how much influence variable X (company size, profitability, and dividend policy) has partially on variable Y (company value).

Table 1
Calculation of the t-value between Company Size, Profitability, and Dividend Policy Partially on Company Value
Coefficients^a

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients Beta		
1	(Constant)	-1199,701	4009,763		-,299	,765
	LN	6,916	207,163	,003	,033	,973
	ROA	1,595	,363	,412	4,392	,000
	DPR	,091	,057	,135	1,610	,110

a. Dependent Variable: PBV

Sumber: Pengolahan data SPSS.20

Based on the t-test results in Table 1, the firm size variable (X1) does not significantly influence firm value, as the calculated t-value is $0.033 \leq$ the t-table value of 1.98638 and the significance level is $0.973 > 0.05$, so H0 is accepted. The profitability variable (X2) significantly influences firm value, as indicated by the calculated t-value of $4.392 \geq$ the t-table value of 1.98638 and the significance level is $0.000 \leq 0.05$, so H2 is accepted. Meanwhile, the dividend policy variable (X3) does not significantly influence firm value, as the calculated t-value is $1.610 \leq$ the t-table value of 1.98638 and the significance level is $0.110 > 0.05$, so H3 is rejected. Thus, only profitability has a partial significant influence on firm value.

Uji Signifikan Simultan (Uji Statistik F)

In this study, the F-test was conducted to determine whether the independent variables of company size, profitability, and dividend policy collectively have a significant effect on company value. The following are the results of data processing using SPSS version 20.

Tabel 2

Calculation of F Value between Company Size, Profitability, Dividend Policy Simultaneously on Company Value

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	220828719,138	3	73609573,046	9,388	,000 ^b
	Residual	901679438,324	115	7840690,768		
	Total	1122508157,462	118			

a. Dependent Variable: PBV

b. Predictors: (Constant), DPR, LN, ROA

Sumber: Pengolahan data SPSS.20

From the results of the data processing, it can be seen that the calculated F value of the research company is $9.388 >$ the F table value of 1.91 with a sig value of $0.000 \leq 0.05$, this means that H_0 is rejected and H_5 is accepted. So, it can be concluded that the independent variables (company size, profitability, and dividend policy) simultaneously or together have a significant effect on the dependent variable (company value).

Uji Koefisien Determinasi (R^2)

In multiple linear regression analysis, this analysis is used to determine the percentage contribution of the influence of the variables company size (X1), profitability (X2), and dividend policy (X3) simultaneously on the dependent variable company value (Y). The following table shows the results of the determination analysis (R^2) using the SPSS 20 data program.

Tabel 3
Hasil Analisis Determinasi (R^2)

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,444 ^a	,197	,176	2800,12335

a. Predictors: (Constant), DPR, LN, ROA

Sumber: Pengolahan SPSS.20

Conclusion

1. Firm size (X1) does not significantly influence firm value, as the calculated t-value is $0.033 \leq$ the t-value of 1.98638 and the significance value is $0.973 > 0.05$, thus H_0 is accepted.
2. Profitability (X2) significantly influences firm value, as the calculated t-value is $4.392 \geq$ the t-value of 1.98638 and the significance value is $0.000 \leq 0.05$, thus H_2 is accepted.
3. Dividend policy (X3) does not significantly influence firm value, as the calculated t-value is $1.610 \leq$ the t-value of 1.98638 and the significance value is $0.110 > 0.05$, thus H_3 is rejected.

4. Simultaneously, the variables of Company Size, Profitability, and Dividend Policy have a significant effect on Company Value, because the calculated F is $9.388 > F$ table 1.91 and the significant value is $0.000 \leq 0.05$, so H5 is accepted.

This study has several limitations, namely, it only used LQ45 companies as its object, so there are still many other research objects that can be studied in future research. Furthermore, this study only used three independent variables: company size, profitability, and dividend policy to measure company value. Therefore, it is recommended for future researchers to add or replace variables, such as using profitability proxies such as ROI (Return on Investment) or ROE (Return on Equity). This study also only used data for five years (2020–2024), so it is hoped that future research can extend the observation period to make the results more accurate and more generalizable.

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