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Analysis of Size, Return on Assets, Debt to Equity Ratio, and Total Asset Turnover Against the Value of Companies in Large Trade Sector Companies in Production and Consumer Goods Listed on the Indonesia Stock Exchange

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ABSTRACT

This study aims to determine the Size, Return on Assets, Debt to Equity Ratio and Total Asset Turnover of Firm Value in Large Trade Sub-Sector Companies in Production and Consumption Goods 2013-2017. The sampling technique uses purposive sampling method. The population in this study were 37 companies and the samples used were 10 large trading companies producing and consuming goods listed on the Indonesia Stock Exchange. The method used in this study is the method of hypothesis testing (Hypothesis Testing). The data used are secondary data in the form of reports complete finance for the 2013-2017 period. The analytical tool used in this study is multiple linear regression analysis and tested using the Statistical Package for the Social Science (SPSS) Version 20.0 and Microsoft Excel 2010. The results of the research show that Return on Assets have a significant effect on Company Value, while size, Debt to Equity Ratio and Total Asset Turnover does not have a significant effect on Company Value.

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INTRODUCTION

One of the changes that can be seen from the changes that occur in the scope of the Indonesian economy is the increasingly intense world of business competition. With the increasingly fierce world of business competition, the more competitive the competition that occurs between companies in the industrial sector, trade and services. To survive in this business competition, it takes excellence that is used as a weapon for companies to compete with other companies. Quality products, quality human resources, and increasingly sophisticated technology. However, to fulfill all of that, the company requires a significant amount of funding.

This resulted in companies being careful in using company funds to carry out their operational activities. The development of trading companies in Indonesia has fluctuated each year, in line with slowing economic growth. The development and growth of the wholesale trade sub sector is closely related to the performance of imports and public consumption. Increased purchasing power will encourage an increase in the rate of growth in public consumption where demand for consumer goods, both domestically and abroad, will also increase. By seeing the slow growth of trade in Indonesia requires companies to further improve the survival of the company with analysis and mapping as a picture of the development of its business and be able to improve the company's financial performance going forward, so that the development of trading companies in Indonesia can increase every year. The government is optimistic that the Indonesian economy will be better, even reaching 5.3% according to the target in the 2019 APBN. Growth will still be driven by strong public consumption. In addition, investment growth in 2019 will also be driven by investment which is expected to increase compared to the realization of 2018. The increase in investment is due to an increase in interest rates unlike 2018 and investor confidence is still maintained. The trade sector also shot up. In 2017, tax revenue growth from the trade sector was 15%, while in 2018 it grew by 23%. Tax growth from the financial services industry is close to 12%, the recovering mining sector grows 51%, and agriculture grows 21%. Economic growth from domestic factors is still strong. On the other hand, the government also monitors from the financial sector side to be ready to support the economy.

The Large Trade Company of Production Goods was chosen as the object of this research because this company is a company engaged in the sale and purchase distributor in large parties. According to Satriawan, Thoyib and Pertiwi (2017) this company carries out buying and selling transactions to other traders such as retailers or to industrial users in large numbers. The rapid development in this field has made the competition even tougher and demanded the company to utilize the opportunities effectively and efficiently in operational activities. Company value is the payment made by prospective buyers when they buy a company for sale. The value of the company is considered important, because it can reflect the company's performance so that it can influence the perception of investors towards the company. Factors that can affect the value of the company is the size of the company. The size of the company is considered able to influence the value of the company.

Size can be reflected in various things, one of which is seen from the total assets owned by a company. The large size of the company reflects that companies with large growth will find it easy to enter the capital market because it will increase investor interest in investing their capital. This is supported by the research of Putu Mikhy Novari and Putu Vivi Lestari (2016) which aims to determine the effect of company size, leverage, and profitability on firm value in property and real estate companies. The results showed that company size had a positive and significant effect on firm value. Leverage does not have a significant effect on firm value, and profitability has a positive and significant effect on firm value. The other factors that influence the value of the company are Return on Assets. Return On Assets seen by dividing Earning After Tax by Total Assets, the greater the Return On Assets, the greater the level of profits achieved by the company and the better the company's position in terms of asset use, and vice versa if the results of Return on Assets are small, the profits achieved by the company will be small and the company's position will be less good.

This proves that the high rate of return of total assets is a positive signal for the market / potential investor. This is supported by Dwi Astutik Research (2017) which aims to examine the effect of Financial Performance on Company Value. The results showed that Return on Assets had a positive and significant effect on firm value, while Current Ratio, Sales Growth, and Total Asset

Turnover had no significant negative effect , while Debt To Equity Ratio had no significant positive effect on firm value. Debt to Equity Ratio is also a factor that affects the value of the company. Debt to Equity Ratio is seen by comparing total debt with total equity, the higher the value of Debt to Equity Ratio, the less good the company value, and vice versa if t he value of Debt to Equity Ratio is lower, the better the value of the company. Effective capital structure decisions can lower the cost of capital incurred by the company. The company's advantage of using debt is interest payments can be deducted for tax purposes, thereby reducing the effective cost of debt. This is supported by research by Ni Luh Devianasari and Ni Putu Santi Suryantini (2015) which aims to examine the effect of Price Earnings Ratio, Debt to Equity Ratio, Dividend Payout Ratio to firm value. In manufacturing companies. The results showed that simultaneous Price Earnings Ratio, Debt to Equity Ratio, Payout Dividend Ratio simultaneously has a significant positive effect on firm value.

Total Asset Turnover is also a factor that affects the value of the company. Total Asset Turnover is a financial ratio that is used to measure the turnover of all assets owned by the company and measure how many sales are obtained from each asset rupiah. The higher the Total Asset Turnover ratio means the more efficient use of all assets in generating sales, the same number of assets can increase sales volume if the Total Asset Turnover is increased or enlarged. Total Asset Turnover is the activity ratio used to measure how well and efficiently all of the company's assets are used to support sales activities. This is supported by the research of Medy Misra, Mochamad Chabachib (2017) which aims to examine Debt to Equity Ratio, Current Ratio, Total Asset Turnover on firm value.

LITERATURE REVIEW

Size

Size or size of the company, the greater the size of the company measured by total assets, the smaller the risk. The large size of the company is considered as an indicator that the company is able to fulfill all obligations, as well as providing an adequate level of profit for investors. The greater the size of a company, investors will feel safe to own shares of a company and this has an impact on increasing the P / E ratio of shares. Total assets of a company are usually used as a proxy in calculating company size, therefore the size of the company is measured by transforming the total assets owned by the company in the form of natural logarithms (Rodoni and Ali, 2014).

Size = Log Natural Total Asset

Source: Rodoni dan Ali (2014)

Return on Assets

Return on Assets is a ratio that shows the results of the total assets used by the company, meaning that the greater the ratio value, the better, because the company is considered capable of utilizing its assets effectively to generate profits (Kasmir, 2015). Return on Assets is a ratio that divides net income after tax with the average assets at the beginning of the period and the end of the period, this ratio is used to measure the effectiveness of the company in generating profits by utilizing the overall assets of the company.

$$\textit{Return on Assets} = \frac{\textit{Net Income}}{\textit{Total Assets}}$$

Source: Hery (2017)

Debt to Equity Ratio

Debt to Equity Ratio is a ratio used to measure the ratio between total debt to total equity. The greater use of debt compared to own capital causes a decrease in the value of the company, this is also a very important consideration for investors in the Company's Value. Debt to Equity Ratio is the ratio used to assess debt with equity (Kasmir, 2015). This ratio is sought by comparing all debt (including current debt) with all equity.

$$\textit{Debt to Equity Ratio} = \frac{\textit{Total Liabillities}}{\textit{Equity}}$$

Source: Kasmir (2015)

Total Assets Turnover

Total Asset Turnover is a financial ratio that is used to measure the turnover of all assets owned by the company and measure how many sales are obtained from each rupiah of assets (Kasmir, 2015). The higher the Total Asset Turnover ratio means the more efficient use of all assets in generating sales, the same number of assets can increase sales volume if the Total Asset Turnover is increased or enlarged.

$$\text{Debt to Equity Ratio} = \frac{\text{Total Liabillities}}{\text{Equity}}$$

Source: Hery (2017)

Value of the Company

In this study the value of the company is measured using Price to Book Value, by valuing a company based on the stock price of the book value of the company. Price to Book Value is calculated by dividing the stock price divided by the share value of the book. Before looking for the value of Price to Book Value, must find the book value in advance by dividing the total equity divided by the number of shares outstanding (Harjadi, 2015).

$$\text{Book Value} = \frac{\text{Total Equity}}{\text{Number of Shares Outstanding}}$$

$$\text{Price to Book Value} = \frac{\text{Stock Price}}{\text{Book Value of Shares}}$$

Source: Harjadi (2015)

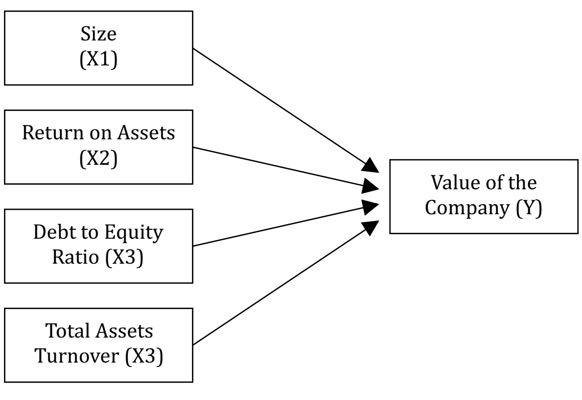

Figure 1. Framework for Thinking

Framework of the above it can be arranged hypothesis are as follows:

H_1: Size does not affects to the value of company
H_2: Return on assets affects to the value of company
H_3: Debt to equity ratio does not affect to the value of company
H_4: Total asset turnover does not affect to the value of company

RESEARCH METHODOLOGY

The sample is part of the number and characteristics possessed by the population (Sugiyono, 2017). The sample used in this study is a large trading company. Production and consumption goods listed on the Indonesia Stock Exchange for the period 2013-2017. In this study using a purposive sampling technique that is the technique of determining the sample with certain considerations. Purposive sampling technique where the sample must meet the criteria of the Big Production and Consumption Trading Company listed on the Indonesia Stock Exchange for the period 2013-2017. A Large Trade Company in Producing and Consuming Goods that publishes a complete and published financial statement for the 2013-2017 period. Companies that are suitable for research are 10 large-scale trading companies, production and consumption goods listed on the Indonesia Stock Exchange for the period 2013-2017.

In order to get the results of research in accordance with the objectives of the study, it is needed an appropriate data analysis testing technique. The data analysis technique or method used in this study is multiple linear regression which is used to test hypotheses, while the data processing of this study uses statistical package the social program (SPSS) Version 20.0.

RESULT AND DISCUSSIONS

In this study, not all populations were sampled or research objects. The population in this study were 37 companies. From the population, 10 company samples were chosen. The sampling technique in this study was purposive sampling, which is the technique of determining the sample with specific considerations and objectives.

Based on the results of this research panel regression equation is as follows:

LNY_PBV=3,175+0,938LNX2_ROA

From the multiple linear regression equation, it can be interpreted for the significant variables as follows:

1. A constant value of 3.175 means that if the

Return on Asset value is equal to 0, then the Price to Book Value is 3.175.

2. Regression coefficient of Return on Assets variable = 0.938 Regression coefficient of Return on Assets variable is 0.938 which means that if the coefficient of Return On Asset variable has an increase of 1 percent other variables having a fixed value then the value of the company will increase by 0.938 percent. Conversely, if Return on Assets has decreased by 1 percent and other variables have a fixed value, the value of the company will also experience 0.938 percent. The coefficient is positive, meaning that there is a positive influence between Return on Assets and the value of the company.

The Goodness of Fit Test (Test F) shows whether all independent variables included in the model have an influence together on the dependent or dependent variable or can be said to have a good or fit regression model (Ghozali, 2013).

This F test aims to determine the effect of independent variables (Size, Return on Assets, Debt To Equity Ratio, and Total Asset Turnover) influence significantly to the dependent variable (Company Value). The hypothesis test criteria used are as follows:

a. If the probability value <0.05 then Ho5 is rejected and Ha5 is accepted.
b. If the probability value> 0.05 then Ho5 is accepted and Ha5 is rejected.

Table 1. F Test

ANOVA[a]

Model		Sum of Square	df	Mean of Square	F	Sig.
1	Regression	16,586	1	16,586	28,582	0,000[b]
	Residual	27,855	48	,580		
	Total	44,441	49			

The F Test results in table 1 can be seen that a significant level of 0,000 <0.05 can be concluded that the model is fit or feasible to be used in research.

CONCLUSION

Based on the results of the analysis and construction that has been done, it can be concluded as follows:

1. The variable size of the company has no effect on the value of the company in the large trade sub-sector of production and consumption goods for the 2013-2017 period.
2. The Return on Asset variable influences the Company Value in the large trade sub-sector of production and consumption goods for the 2013-2017 period.
3. The variable Debt to Equity Ratio has no effect on Company Value in the large trade sub sector of production and consumption goods for the 2013-2017 period.
4. The Total Asset Turnover variable does not affect the Company Value in the large trade sub sector of production and consumption goods for the 2013-2017 period.

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