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THE ROLE OF PROFITABILITY, CAPITAL STRUCTURE AND FIRM SIZE TOWARDS THE FIRM VALUE OF PT. CITRA MARGA NUSAPHALA PERSADA, TBK DURING PERIOD 1995-2017

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Abstract: This research has intend to reveal and investigate the impact of return on assets, return on equity, debt equity ratio, and firm size towards firm value of PT. Citra Marga Nusaphala Persada Tbk. The research Sampling used a quantitative approach. The Samples obtained and used were financial Statements of PT CMPN Tbk which have been published on the IDX with an observation period of 23 years with 2 semesters of each year. These research data used was secondary data through time series data analysis method. The results of this research shows that return on assets has a negative and significant affect on firm value; return on equity has a positive and significant affect on firm value; debt equity ratio has a negative and significant affect on firm value; firm size has no significant affect on firm value.

Keywords: Return on assets, return on equity, debt to equity ratio, firm size, firm value.

INTRODUCTION

In order to support the progress on infrastructure in Indonesia, specifically the expressway infrastructure (TOL) that needs to be developed and accelerated on its development. According to this idea, PT. Citra Marga Nusaphala Persada Tbk (PT. CMNP, Tbk)was called to support this government program. In response to the dynamics of the construction project applied, PT. CMNP, Tbk. requires lots of financing. The financing expected by PT. CMNP, Tbk. could be gathered by capital loans to banks and investment from investors by releasing the stocks of PT. CMNP, Tbk. publicly. The release of stocks publicly is a step which needs to be considered by PT. CMNP, Tbk. because by buying their stocks then it helps PT. CMNP, Tbk. to earn more funds. An indication feedback from the public which is increasingly interested in buying their stocks on the trading floor was an indication of the improvement in the value of companies owned by PT. CMNP, Tbk. And was in line with the research results from Febrina (2010) which defines that market share prices as a good reflection towards the firm value of the shareholders.

This research used the objective of firm value research. Firm value describes the long-term wealthy of shareholders so the company's long-term goal is to maximize the firm value. Discovering the firm value, it could be seen by determining the price of earning ratio (PER) (Mahesh and Daddikar, 2013). PER is a function from the change in earnings ability which expected in the near future. The greater PER, the more likely the company will grow so it would increase the firm value.

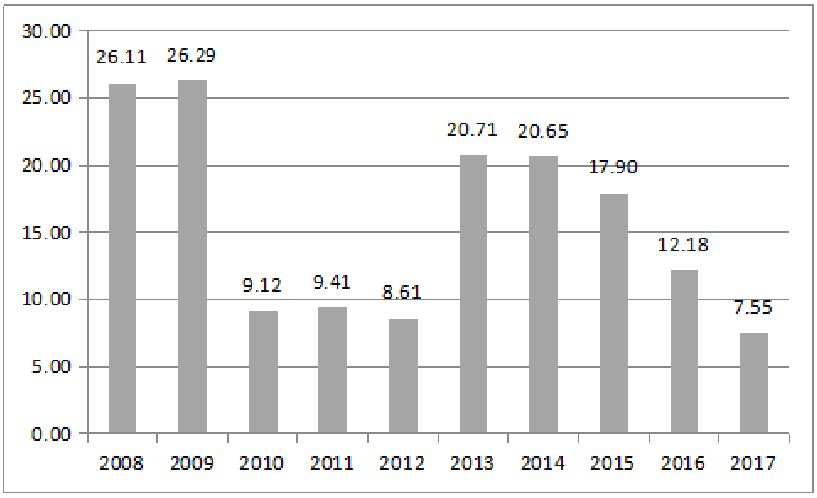

Figure 1. Price Earning Ratio Graph of PT. CMNP, Tbk

Cautious to the PER data movement which occurs at PT. CMNP, Tbk in the last 10 (ten) years that the PER PT. CMNP, Tbk moves still in a fluctuating manner and even more tends to experience a stable decline, namely since the last 10 years in 2008 amounted to 20.71 until 2017 amounted to 7.55 which has decreased. This decline in PER ratio needs to be of particular matter to management because a visible PER value could help bring investors to invest in a relatively high PER value.

The price earnings ratio (PER) describes amount price that investors agreed to pay per rupiah from its reported profits. Based on the number of ratio estimation results it shows that the price per each unit contained earnings per share. High net income indicates the high earnings per share, meaning that the company has a great level of profitability. A high level of profitability could increase the investors' trusts to invest their money in the company, so the stocks of companies that have a high level of profitability and profit growth would also have a high PER, as its stocks would looks captivate on the stock exchange if price tends to strengthen. Research conducted by Ansori & Denica (2010) Hasnawati (2005) Rochmach (2015) Tampubolon & Doloksaribu (2011) concluded that investment decisions have an impact on firm value.

Sabrin, et al. (2016) stated that financial ratios, that include Return On Assets (ROA) and Return On Equity (ROE), could be one way of considerations for investors in making investment decisions to a company. The author reveals that during the last 1 (one) decade. Furthermore, Sinha's research (2017) revealed that the capital structure owned by a company would have a negative affect towards the firm value. This could be seen from the increasing amount of capital invested within the company through debt, which give impact to the decline in firm value. The capital structure measured in Sinha's research (2017) is the one which use the Debt Equity Ratio (DER) where DER is a contrast of Total Debt and Total Equity. In another research from Anisyah & Purwohandoko (2017); Andawasatya, et al. (2017) and Mule, et al. (2015) argues if firm size could impact the firm value, so the higher the firm size which seen through Log.TotalAset proxy, the higher the firm value (Andawasatya et al. .al, 2017). Firm size is a description of the capacity or size of a company which is shown or valued by total assets, total sales, total profits, tax expenses and others "Brigham & Houston (2010:4).

Based on the response of the trend of challenges in firm value in the face of increasing financing resources for the manufacture and management of infrastructure as follows: "The role of Profitability, Capital Structure and Firm Size towards the Firm Value of PT. Citra Marga Nusaphala Persada Tbk during period 1995-2017".

LITERATURE REVIEW

Capital Structure Theory

Capital structure is a balance or differentiation among those foreign capital and own capital. Foreign capital, in this matter were includes long-term and short-term debt. Meanwhile, capital itself is split up into retained earnings and company ownership. The maximum capital structure is the one which optimizes the balance involving risk and return so as to escalates stock prices. As for this purpose, when identify the capital structure of a company, it is necessary to consider the various things which influence it.

Investment Theory

Investment is engagement to an amount of funds or other sources which done recently with intention to acquire a number of benefits in the future (Tendelilin, 2001). The term of investment relate to various activities. Investing funds in the real sector (land, gold, machinery or buildings) or financial assets (deposits, stocks or bonds) as a standard activity.

Return On Assets (ROA)

ROA shows the company's capacity to generate benefits from the assets used. According to Prastowo (2005:91) ROA is the company's capability to use its assets to gain profits. This ratio is sizing up the rate of return on investment which created by the company through all funds that (assets) it has. This ratio could be compared with the prevailing bank interest rate. According to Widarjo & Setiawan (2009) high return on assets shows the efficiency of asset management, meaning that the company is able to use its assets to earn profits from sales and investments made by the company. Based on those statements, it could be concluded that ROA is a ratio to estimate the level of return on assets used. By the achievement of high profits, investors would be interested in investing so the firm value would increase.

Company Size (Firm Size)

Brigham & Houston (2010:4) quoted if the size of the company could be determined as follows: firm size is level of company which viewed or valued by total assets, total sales, total profit, tax expense and others. Hartono (2008:14) firm size is as follows: the firm value from the company could be calculated by the total assets/size of the company's assets by the logarithmic value of total assets. Then firm size based on Torang (2012: 93) was: the firm value used to revealed the total of members which relates to selecting way of control activities in an effort to achieve goals.

Firm Value

The maximum increase in the company's stock price could provide wealthy to shareholders. Those various policies and decisions which consider by management in an effort to increase the firm value by improving the wealthy of its owners and shareholders as well as investors which are reflected in stock prices. (Bringham & Houston, 2010:19). The company capacity to share its dividends to shareholders is a real portrait of the company's value created in a company (Mahendra et al, 2012). Price to Book Value (PBV) is an illustration of amount the market given the price to book value of a company stock. The higher this ratio, it means that the market believes in the company's prospects (Afzal, 2012). PBV also shows how far a company is able to create firm value relative to the amount of invested capital. PBV could also means by the ratio which shows whether the price of the traded share is overvalued (above) or undervalued (below) from that PVB (Fahrudin and Hadianto, 2001). Systematically, the PBV formulation could be estimated through the formula (Setiadharma and Machali, 2017)

Theoretical Framework and Hypothesis

According to this explanation of the theoretical concepts that put forward, the writer could create a framework, such as in the image below:

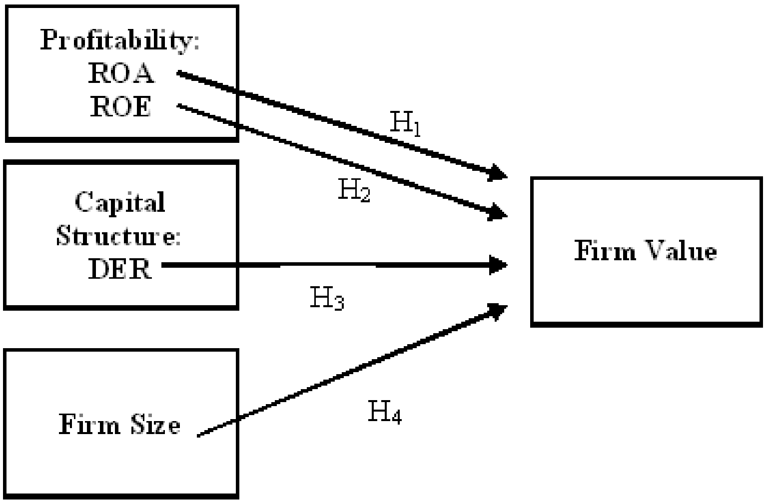

Figure 2. Theoretical Framework

The research hypothesis in this research are: 1) There is an affect of return on assets towards the firm value of PT. CMNP Tbk; 2) There is an affect of return on equity towards the firm value of PT. CMNP Tbk; 3) There is an affect of debt to equity ratio towards the firm value of PT. CMNP Tbk; and 4) There is an affect of firm size towards the firm value of PT. CMNP Tbk.

RESEARCH METHODS

This type of research used descriptive and associative approaches method, because there are several variables that would be analyzed of the influence and purpose in presenting a structured, factual and accurate picture of the facts and relationships between the variables studied, namely the affect of ROA, ROE, DER, and F-size to PER. The calculation of these variables through:

$$ROA = \frac{Net\ Profits}{Total\ Asset} \quad \text{.......} \quad (1)$$

$$ROE = \frac{Net\ Profits}{Total\ Equity} \quad (2)$$

$$DER = \frac{Total\ Debt}{Total\ Equity} \quad (3)$$

$$FSize = Log\ Total\ Asset \quad (4)$$

$$PER = \frac{Stock\ Price}{Profit\ per\ Shares} \quad (5)$$

This research population used is the financial statements of PT CMNP Tbk during period of 1995-2017. The sample were 46 financial reports taken from 23 financial statements multiplied by 2 (two semesters in 1 year).

The data collection methods from this research was done by the method of documentation through collecting all secondary data published by IDX Statistic about PT. CMNP Tbk which has been published on the Indonesia Stock Exchange during period 1995-2017. This research uses quantitative analysis techniques by statistics, namely Simple and Multiple Regression analysis through the assist of the SPSS version 24.00 program.

RESULIT AND DISCUSSION

Descriptive Analysis

These following table are the results of each variable:

Table 1. The Descriptive Statistical Analysis

Variable	N	Min	Max	Mean	Std. Dev
ROA	46	-32.08	11.02	3,882609	9,1105742
ROE	46	-108.66	20.76	1,516522	29,4838131
DER	46	38.18	255.89	88,637391	53,3721455
FSize	46	6.09	7.08	6,460870	,3067596
PER	46	-9.01	66.89	15,617391	15,2618709

The standard deviation of ROA and ROE tends to be greater than its standard in each year. This shows that if the research outcomes was quite poor because the standard deviation is a reflection of high deviations, so the distribution of data shows abnormal results and tends to cause bias and it could be interpreted that there is the fluctuation of ROA and ROE on firm value. Meanwhile, the DER, Fsize, and PER values of Standard deviation tend to be smaller than those average value each year, meaning that the results are quite good because the standard deviation is a reflection of high deviation, so the spread of data shows normal results and did not cause bias and it could be concluded that there is no fluctuation in ROA and ROE towards the firm value.

Classic Assumption Test

The Kolmogorov-Smirnov value was 0.101 and significant at 0.101 > 0.05, this means H0 was accepted where the residual data is normally distributed, so the regression model meets the normality assumption, or the residuals of the model and it could be considered as normally distributed.

Table 2. Kolmogorov-Smirnov Test

Asymp. Sig. (2-tailed)	.101[c]

The test results shows that there is no multicollinearity between the independent variables which have a Tolerance value > 0.10 and a VIF value > 10.

Table 3. Mulicollinearity Test

Model		Collinearity Statistics	
		Tolerance	VIF
1	(constant)		
	ROA	.939	1.582
	ROE	.957	1.636
	DER	.954	1.932
	SIZE	.942	1.061

According to the Glejser test result above, the results of the heteroscedasticity test both indicate that the four independent variables show a sig value > than 0.05. then according to the basic of decision making in the Glejser test, it could be interpreted that there are no symptoms of heteroscedasticity in these regression model.

Table 4. Glejser Test

Variable	Sig
ROA	.079
ROE	.069
DER	.080
Firm Size	.444

The Durbin-Watson (d) value of 1,839 was greater than the upper limit (du) of 1,650 and less than (4-du) of 4-1,650 = 2,350. So the base of decision making based on the Watson Durbin test above, it could be interpreted that there is no problems or symptoms of autocorrelation. Thus, multiple linear analysis to examine those above hypothesis could be carried out further.

Table 5. Durbin-Watson Test

Durbin-Watson Value	1.839

F-Test

According to the research results gathered, a significant value of 0.001 is smaller than the value of 0.05 and the F-count value of 5.403 was greater than the F-table value, namely 4.74 (5.403> 4.74) meaning that it simultaneously (together) the variables of profitability, capital structure and firm size have an impact towards the firm value of PT. CMNP Tbk.

Table 6. F-Test Results

Model	F	Sig.
1 Regression Residual	5.403	.001

t-Test

Examine through the t-test used to test the regression coefficient individually (partial) by looking at the impact of all independent variables on the dependent variable.

Table 7. t-Test Results

Variable	PER	t_{count}	t_{table}	Sig.
Constanta	37,250	.876		
ROA	-3,876	-3.620	2.093	.001
ROE	1,107	4.029	2.093	.000
DER	-,177	-2.476	2.093	.017
Firm Size	1,156	.178	2.093	.859

The research model in Table 7 above, could be explained as follows:

PER = 37.250 - 3.876ROA + 1.107ROE - 0.177DER + 1.156Fsize + ε

1. ROA has a negative affect on firm value, was indicated by the test results, such as the t-count was bigger than t-table, but estimation results show a minus sign (-) which means that it has a negative affect (3,620>2.093).
2. ROE has a positive affect towards firm value, this illustrate by test results, namely the t-count value was greater than the t-table (4.029>2.093).
3. DER has a negative affect the firm value, was indicated by test results, namely that the t-count was greater than the t-table, but these calculation results show a minus sign (-) signify that it has a negative affect (2.476>2.093).
4. Firm size has no affect towards firm value, this indicated by the test results, namely t-count value was smaller than the t-table (0.178 <2.093).

Coefficient of Determination (R^2)

Testing through multiple regression analysis which has been done by obtained R^2 value of 0.345. This means that 34.5% of the variation in PER which could be explained by the variables of ROA, ROE, DER and Firm Size. Meanwhile, the remaining of 65.5% of PER it could be explained by other variables which not included in this research model.

Table 8. Coefficient of Determination

R	R Square	Adjusted R Square	Std. Error Of the Estimate
.587	.345	.281	12.9387

Discussion of Research Results

Investing capital or investing in the Investors Capital Market generally choosen the companies which have more profitable value, because by choosing the companies that are profitable, the investors believe they would get benefit from the results of their investments in the form of dividends which distributed to shareholders. ROA is a measure of profitability that is used to measure a company's ability to earn profits with its assets. Based on these research results which conducted partially, it is found that there is a negative impact of ROA towards the firm value. The higher of the ROA, the company value would decrease and conversely, the lower the return on Assets, the company value would also increase. The author argues that the Firm Value would increase when the ROA decreases due to PT CMNP Tbk has a record ROA ratio in 2001 which experienced a minus especially in the second semester of -32.08. This shows the ability of PT CMNP Tbk in earn profit from the assets used still not optimal. This matter was indicated by the growing or increasing number of toll road infrastructure companies developing their business on the same path, so the investors will be more interested in these competing companies. The results of this research has support the first hypothesis where there is an influence of ROA towards firm value, but these results are negative sign. The results of the research conducted by researchers were in line with the results of previous research by Andawasatya, et al. (2017), Mule, et al. (2015) which show that ROA has a significant influence on firm value. These research results were also in line with Putra and Wirawati (2013) who shows that ROA has a negative affect on Firm Value, which shows that if ROA decreases, the firm value will increase.

ROE is the company's ability to earned profits with its own capital, so sometimes ROE is called its own capital profitability (Sartono, 2003). The greater the ROE reflects the company's ability to earn high returns for shareholders. This research results by the researchers indicate that there is a positive and significant impact between Return on Equity towards firm value. It means that the higher the Return on Equity, will increase the firm value and conversely. These research results was support the second research hypothesis, where there is an impact of ROE towards firm value. This research were also supports by the results of Shirzad, et al. (2017) and Sucuahi & Cambarihan (2016) which revealed that profitability as seen from the ROE which could increase its firm value because it experiences positive influence. ROE which is described as high or increasing is an illustration that the company is effective in managing its own funds effectively, firm value would increase from effectiveness in managing its own funds. This is because the capital that comes from the funds itself shows the independence of the company running its business. These results was in line with the theory of ROE which reveals that ROE shows the efficiency on using its capital. The higher this ratio, it would get the better. Meaning that if the position of company owners is getting stronger and conversely (Kasmir, 2010). Thus, based on the theory and references from the prior research results, the high ROE would increase the firm value.

These research results has support the third hypothesis where the DER has a significant correlation towards firm value and DER has a negative impact on firm value. Signify that the more DER increases, the lower Firm Value. One of the components which create the DER is the debt factor (debt), so if the company relies too much on debt to run the its operations, the investors will view that the firm value as a poor performance. This result also support the theory of DER which reveals that the DER is a ratio which used debt and capital as firm ability to meet all its debts (both in short and long term debt). These research outcomes were in line with the results from Sukoco (2013) and Kayobi & Anggraeni (2015) which resulted in DER having a negative affect on firm value.

According to these research outcomes stating that none relate amid firm size and firm value. These research outcomes did not support the fourth research hypothesis, where there is an connevction of firm size towards firm value. Results from this research are in line with Hamyat et al. (2017) who stated that firm size none affect the firm value. These results do not support the theory which stated that the larger of the firm size, then greater firm value. This result shows that investors did not considered the large firm value would have a high of firm value as well. Thus, large of firm size is not one of the considerations to encourage the investment which driving by the owners of capital.

CONCLUSION AND SUGGESTION

Conclusion

Elicited from these research outcomes which have been done and the discussion stated above, the authors interpreted this research as: 1) ROA has a negative and significant influence towards firm value; 2) ROE has a positive and significant influence towards firm value; 3) DER has a negative and significant affect on firm value; and 4) Firm size none affect towards firm value.

Suggestion

Investors who intend to fund their money in a construction firm need to consider selecting a company with complete exposure information, including information on governance, business risks and any further information regarding the company. Based on this financial performance analysis in the construction industry, investors need to weigh the variables of ROA, ROE and DER as these three variables have a significant affect on firm value. As for the companies, they should be extra attentive about the right sources of funds to run their business. It could be seen from the company's capital and assets so as to minimize the possibility of risks which could stumble the investment growth process and optimize company profits. On the other hand, the company should be careful in increasing the source of funding which comes from the debt, though this would earn profits, but it also could give a huge risk if the company fails to pay its obligations and it will lead to the losses to the company.

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