



THE EFFECT OF FIRM SIZE, SALES GROWTH, AND PROFITABILITY ON FIRM VALUE IN HEALTHCARE, TECHNOLOGY, AND FOOD AND BEVERAGE SECTOR COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE FOR THE 2018-2020 PERIOD

Nanda Mutiara¹, Unggul Purwohedi², Sri Zulaihati³

¹ *Jakarta State University, Indonesia*

² *Jakarta State University, Indonesia*

³ *Jakarta State University, Indonesia*

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Abstract

This study uses empirical evidence to confirm the impact of firm size, sales growth, and profitability on firm value. The research approach employed is quantitative. This research uses secondary data from the 2017-2020 financial statements of Healthcare, Technology, and Food and Beverage companies listed on the Indonesia Stock Exchange. Using the purposive sampling method, 37 samples were collected from the population of 120 firms comprising the study. A multiple linear regression analysis will be undertaken using version 25 of the Statistical Package for the Social Sciences (SPSS) to test the hypothesis. Results suggested that company size and sales growth did not influence firm value, but profitability did.

Abstrak

Penelitian ini menggunakan bukti empiris untuk mengkonfirmasi dampak ukuran perusahaan, pertumbuhan penjualan, dan profitabilitas terhadap nilai perusahaan. Pendekatan penelitian yang digunakan adalah kuantitatif. Penelitian ini menggunakan data sekunder dari laporan keuangan tahun 2017-2020 perusahaan Healthcare, Technology, dan Food and Beverage yang terdaftar di Bursa Efek Indonesia. Menggunakan metode purposive sampling, 37 sampel dikumpulkan dari populasi 120 perusahaan yang terdiri dari penelitian. Hipotesis ini akan diuji menggunakan SPSS versi 25 dengan analisis regresi linier berganda. Hasil penelitian menunjukkan bahwa ukuran perusahaan dan pertumbuhan penjualan tidak berpengaruh terhadap nilai perusahaan, sedangkan profitabilitas berpengaruh positif terhadap nilai perusahaan.

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INTRODUCTION

Indonesia's economic condition during the pandemic is uncertain. It can be seen from the nominal opportunity lost to create an added value of approximately RP1,356 trillion. The explanation from the Minister of Finance in the plenary meeting of the House of Representatives made it aware that the pandemic has a major impact on the economy. Various businesses are experiencing difficulties due to the impact of the pandemic, and many have eventually experienced bankruptcy. However, Agus Gumiwang Kartasasmita, also known as the Minister of Industry, explained that during the COVID19 pandemic, various sectors contributed to the Gross Domestic Product of Nasional, Investment, and Export, among other things. The following are some examples of those sectors:

Table 1 Contribution Sector Pasca Pandemic

Sector	Contribution		
	Invest	Ekspor	PDB
Food And Bevarage Industry	Rp35,8 T	19,58%	6,66%
Healthcare Industry	Rp16 T	9,28%	1,96%
Base metal Industry	Rp56,4 T	13,78%	1,57%,
Computer, Electronic Goods, Optics And Electrical Equipment Industry		7,63%	
Transportation Equipment Industry	Rp8,9 T	-	1,46%,
Textile and Apparel Industry	-	5,86%	1,05%

Source : Kementrian Perindustrian Republik Indonesia 2021

Based on the table, several industrial companies have experienced an increase during the Covid-19 pandemic. The current pandemic has opened up opportunities for companies engaged in the Healthcare Sector. The government has classified healthcare sectors as members of the Sector group, which is a priority in realizing Program Making Indonesia 4.0. Therefore, there is competition for companies to attract as much investment as possible by increasing firm value.

Furthermore, the Minister of Communication and Informatics also showed an increase in global internet traffic by 30% after the arrival of the Covid-19 pandemic and increased investment in the telecommunications sector and data traffic. (Kominfo, 2021) Based on data from the International Telecommunication Union, the level of investment in telecommunications or capital experienced annual growth in developed countries of 0.5% in 2010-2019 and 2019-2020 to 1.8%. The annual growth of investment makes the company continue to compete to increase firm value. The Food and Beverage sector positively impacted the increase in exports and its contribution to GDP, namely an increase in investment of IDR 35.8 trillion. Consequently, there is a rise in investment, which is used as a foundation for analysis to identify what elements impact this in connection with firm value, as measured by the price of shares that the public is prepared to purchase at a predetermined price based on the level of trust.

According to Gustinyomansintyaadnyani et al. (2020), Firm Size represents a company's financial capacity within a certain period, as reflected on the company's

assets, and serves as a metric for evaluating the company's success. Consequently, Firm Size can boost Firm Value (Alfinur & Hidayat, 2021; Yulimtinan & Atiningsih, 2021; and Radja & Artini, 2020). It contradicts Afinindy et al. (2021), Khoeriyah, (2020), and Margono & Gantino, (2021), There will be no change to the firm value as a result of this.

Sales growth becomes an ability of a company to increase sales which are reflected in the change in annual sales (Imawan, 2021). Because the more the company grows, the more the value of its company increases (Gustinyomansintyaadnyani et al., 2020; Dolontelide & Wangkar, 2019; and Putri & Rahyuda, 2020). However, not in line with (Alfinur & Hidayat, 2021; Yulimtinan & Atiningsih, 2021; and Emanuel & Rasyid, 2019), which state that sales growth does not have a significant influence on firm value.

Profitability shows the amount of profit obtained by a company or the condition of the company's performance in making a profit is an important signal for investors to make decisions (Saputri & Bahri, 2021). This profitability has a positive and significant influence on the firm value (Putri & Rahyuda, 2020; Alfinur & Hidayat, 2021; and Yulimtinan & Atiningsih, 2021). However, that is not supported by (Gustinyomansintyaadnyani et al., 2020; and Emanuel & Rasyid, 2019), who states that profitability did not affect Firm Value.

Concerning the projected Firm Value with the stock price, some variables are still experiencing contradictions or showing mixed results, namely the Variables of Firm Size, Sales Growth, and Profitability. Based on the analysis that has been carried out, researchers assume that some of these studies have the greatest influence on Firm Value. However, it is necessary to test whether there are positive effects on Firm Size, Sales Growth, and Profitability towards Firm Value? In addition, little research still tests the influence on Healthcare Sector Companies in Indonesia.

By developing and testing this model, our contribution to literature is to add empirical evidence. It is used as a reference for further research, especially for those who want to examine factors that affect firm value and the existence of evidence of research gaps contained in previous research. Furthermore, in practice, this research is useful for providing information for investors and creditors in analyzing company information in decision making and for providing information to company management to determine the factors that influence Firm Value.

METHOD

Quantitative research methods are employed, and research will progress through stages that include the collection of a wide variety of secondary data. In this study, secondary data were taken from the financial statements of firms listed on the Indonesia Stock Exchange that operated in the Healthcare, Technology, and Food and Beverage sectors throughout the period 2017-2020. Firm Size (X1), Sales Growth (X2), and profitability (X3) are the independent variables in this research. Firm Value is the dependent variable in this research (Y)

Firm Value is the result of its asset management activities, expressed in the price of shares that the public is willing to buy in the capital market. Indicators in measuring the value of a company are "Price Earning Ratio, Price to Book Value, and Tobin's Q". The indicator in measuring firm value used is PBV (Price to Book Value Ratio) which is a ratio in measuring the value in the financial market for management and company organizations. **The Firm Value** can be formulated as follows :

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

Firm size is the size of a company derived from the measurement of assets in a company. Various indicators for measuring the value of a company are "number of assets, log size, stock market value, and so on" (Monoarfa, 2018). The research will be carried out using the Natural Log of Total Assets, aiming to minimize excessive data fluctuations. Furthermore, the natural log simplifies the value of assets that are worth trillions, but without any change in the actual value of assets. Firm Size can be formulated as follows :

$$\text{Firm Size} : \ln (\text{Total Asset})$$

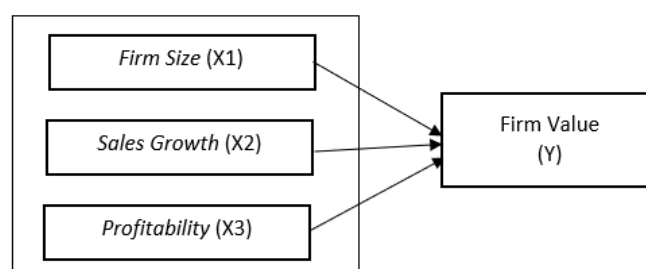
Sales growth is part of the company's ability to generate revenue by increasing sales every year. Sales growth is an example of a successful investment that was previously a form of forecasting future growth. Based on Gustyomansintyaadnyani et al. (2020), the indicators used in measuring sales growth with the following formula:

$$\text{Sales Growth} = \frac{\text{Sales } t - \text{Sales } (t - 1)}{\text{Sales } (t - 1)}$$

Profitability is a company's ability as demonstrated by its performance in generating profits over a certain period. According to Hidayat (2018:50), an Indikator that can be used as a measure of profitability is "Return On Equity (ROE), Net Profit Margin (NPM), and Return On Investment (ROA)." This study used return on equity by comparing net profit after tax and total equity. Based on (Palepu et al., 2021) the book "Business Analysis and Valuation," ROE is a comprehensive indicator of company performance because it indicates the effectiveness of company management in utilizing the funds that the company's shareholders have invested to make returns. Profitability can be formulated as follows :

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

CONCEPTUAL FRAMEWORK



Description :

X1 : Firm Size

X2 : Sales Growth

X3 : Profitability

→ : Relationship direction

The population in this study was 120 Companies and a Sample of 37 Companies. The sampling method used is purposive sampling. Purposive Sampling or Judgmental Sampling is sampling using various criteria based on research designs that are owned and previous reference sources (Purwohedi, 2022). The observation period in this study was three years, and then the research data was $37 \times 3 = 111$. The data will be analyzed using a program, namely the Statistical Package for Social Science (SPSS) version 25 on Windows. The tests will be carried out using various analytical methods, including descriptive statistics, classical assumption tests (normality, multicollinearity, heteroskedasticity, and autocorrelation test), the goodness of fit model test (F test), hypothesis test, and the multiple linear regression analysis.

RESULTS AND DISCUSSION

Classical Assumption Test

Normality Test

The normality test used was One-Sample Kolmogorov Smirnov with the basis of taking normally distributed data was shown with a value of Asymp Sig 2-tailed > 0.05 . Based on the test results, it is known that the value of the Asymp Sig 2-tailed is 0.055, then $0.055 > 0.05$. The results explained that the research data had been normally distributed. This testing is also the basis for being able to continue research to conduct the next test.

Linearity test

Linearity test is a form of testing that is carried out when conducting correlation test analysis. The test aims to see the presence of significant linear relationships of each variable. This linearity is an illustration of a good linear model in explaining the relationships on each variable. A data is said to be linear if the value of Deviation from Linearity > 0.05 . Based on the firm size linearity test results, the output shows that the Deviation from Linearity number is $0.065 > 0.05$. Sales growth shows that the Deviation from Linearity figure is $0.371 > 0.05$, and Profitability shows that Deviation from Linearity figure is $0.151 > 0.05$. So the three independent variables show a linear relationship with the dependent variables of Firm Value.

Multicollinearity test

The Multicollinearity test in this study is important because it aims to see if there are free variables that have the same elements in a study. Based on data processing results, the results obtained from the testing of the three independent variables showed that the tolerance number > 0.1 . and Variance Inflation Factor (VIF) < 10 . The resulting value indicates no multicollinearity problem, so the regression model of this study is well concluded.

Heteroscedasticity Test

Heteroskedasticity is the inequality of variations from residual in regression models for the observation period. The study of heteroscedasticity will be tested using the glejser test. Based on the tests conducted by this study, there was no heteroskedasticity problem shown by the Sig number. firm size $0.078 > 0.05$, Sig. sales growth was $0.942 > 0.05$ and Sig. profitability was $0.232 > 0.05$.

Autocorrelation Test

The autocorrelation test was carried out in the study using the Durbin-Watson test (DW). As a result of the Durbin Watson test, it can be seen that the dW value is 1.921. Based on the number of observations (n) 111 and the free variable (k') 3 in this study, the dU value based on the Durbin-Watson table is 1.746. Therefore, the value of 4-dU or 4-1.746 is 2.254. Based on these calculations, this study can be said to meet the equation of determination or no autocorrelation ($dU < dw < 4 - dU$) which is $1.746 < 1.921 < 2.254$.

Goodness of Fit Model Test

F Test is a test carried out to take measurements in search of the accuracy of the regression function (Ghozali, 2018). This Goodness of Fit the model was shown through the F test in the Analysis of Variance (ANOVA). The research model is feasible to use if F calculates the table $F >$ and the value of $Sig. < 0.05$ (α). The evaluation results showed an F-count value of 9.161 and an F-table of 2.69 to $9.161 > 2.69$, followed by statistical tests with a significance of 0.000. The Significant Value of $0.000 < 0.05$ indicates that the calculated linear regression model may be used to explain independent variables namely Firm Size, Sales Growth, and Profitability, to dependent variables of Firm Value.

Hypotesis Testing

Hypothesis testing becomes a structured and systematic procedure aiming to decide whether a hypothesis is accepted or rejected. The hypothesis was tested using the Multiple Linear Regression Analysis method.

Table 2: Result of T Test
Coefficients^a

Model		Unstandardized		Standardized	t	Sig.
		Coefficients		Coefficients		
		B	Std. Error	Beta		
1	(Constant)	-.370	,949		-.390	,697
	FirmSize	,055	,033	,150	1,655	,101
	SalesGrowth	,231	,240	,090	,963	,338
	Profitability	1,341	,349	,352	3,841	,000

a. Dependent Variable: SQRTfirmvalue

It can be seen from the table above that the constant value is -.370 and for Firm Size is 0.055 while Sales Growth is 0.231 and ROE is 1.341. So that it can be obtained multiple linear regression equations:

$$Y = -0,370 + 0,055X_1 + 0,231X_2 + 1,341X_3 + \varepsilon$$

The constant value obtained is -0.370. It means that Firm Value (PBV) will be worth -0.370 if each of the variable's Firm Size (SIZE), Sales Growth, and Profitability (ROE)

is worth 0. The regression coefficient for the variable Firm Size (X1) is 0.055, indicating that if all other independent variables are held constant, the relationship between Firm Size and the other independent variables is significant. Moreover, if the firm size has increased by 1%, the share price (Y') will decrease by Rp. 0.055. The regression coefficient for the variable Sales Growth (X2) is 0.231, which indicates that if the other independent variables are held constant, and sales growth increases by 1 percent, the Firm Value (Y') would fall by Rp.0.231. The regression coefficient of the Profitability variable (ROE) (X3) is 1.341, which indicates that if the other independent variables are held constant and Profitability increases by 1 percent, the Firm Value (Y') would rise by Rp. 1.341.

The first hypothesis shows that "firm size (SIZE) has no significant effect on firm value." Therefore, this study rejects the first hypothesis (H1). The results of the hypothesis testing support this with a significance probability value greater than 5% ($0.101 < 0.05$). According Margono & Gantino (2021) there is no influence of firm size on firm value because companies with large asset ownership can use these assets freely, but the existence of ineffective freedom will lead to hoarding of assets which, in the end, the company's asset turnover is getting longer and has an impact on the company's assets. On the decline on firm value. This is reinforced by the results of previous research conducted by (Afinindy et al., 2021; Khoeriyah, 2020; and Margono & Gantino, 2021), which states that there is no effect of firm size on firm value. Thus H1 is rejected

The second hypothesis shows that variable "sales growth has no significant effect on firm value.". The results of the hypothesis testing support this with a significance probability value greater than 5% ($0.338 < 0.05$). According to Afinindy et al. (2021), When making investments, sales growth is not taken into consideration since the level of sales is not a guarantee that investors will receive the rate of return they are anticipating.. Sales growth is not the main focus in making investment decisions because sales are not the final results that still need to be reduced from various costs in the company. In addition, this increase in sales will lead to an increase in need for funds. In addition, this increase in sales will lead to an increase in need for funds. This is reinforced by the results of previous research conducted by (Alfinur & Hidayat, 2021; Yulimtinan & Atiningsih, 2021; and Emanuel & Rasyid, 2019), which state that sales growth does not have a significant influence on firm value. Thus H2 is rejected.

The third hypothesis shows that the variable "Profitability with a measure of return on equity (ROE) has a significant effect on firm value." Therefore, this study accepts the third hypothesis (H3). This is demonstrated by the hypothesis test results with a significance level of less than 5 percent ($0.000 < 0.05$). Similar findings are demonstrated by studies (Putri & Rahyuda, 2020). The greater the profitability, the greater the worth of the company. The rise in this company's profitability reveals whether or not it is functioning well since it creates a return on investment. Investors believe that companies with stable income will grow into companies worthy of investment because they have hope for the future. This is reinforced by the results of previous studies that have been carried out by (Putri & Rahyuda, 2020; Alfinur & Hidayat, 2021; and Yulimtinan & Atiningsih, 2021) that this profitability has a positive and significant effect on firm value. Thus H3 is accepted.

CONCLUSIONS AND SUGGESTION

Conclusions

According to the data analysis performed, the authors of this study concluded that there is no significant relationship between firm size and firm value. This explains that the larger the firm's size, the lower the firm value that occurs is not significant. On the other hand, the smaller the firm's size, the higher its value is not significant. Furthermore, the sales growth variable also produces data showing no influence between sales growth and firm value. This explains that the higher the sales growth, the lower the firm value is not significant. Conversely, the lower the sales growth, the higher the firm value is insignificant. However, different from the previous results on the profitability variable, it shows a significant positive effect between profitability and firm value. This explains that the higher the profitability, the higher the firm value is also significantly higher.

Suggestions

To provide progress in terms of science and practice in the field, the author offers suggestions for the next step, namely the addition of other variables that affect firm value and the extension of the following year's research period in the same sector, as this sector has contributed to the country and increased exports during the COVID-19 condition. In the future, it is intended that this sector may be maximized and utilized as a model for other sectors to contribute to the nation's economic position.

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