ARTOKULO: Journal of Accounting, Economic and Management
E-ISSN : 3032-0461 | P-ISSN : 3032-047X
Volume 1 No 2 May-August (2024)

Influence of Profitability and Debt Policy on Company Value in Health Companies

Syahbathie Sabariah[1], Soni Okabrian[2]

Universitas Singaperbangsa Karawang, Indonesia[1,2]

ABSTRACT

This research aims to determine and test the influence of Profitability and Debt Policy both partially and simultaneously on Company Value in health sector companies listed on the Indonesia Stock Exchange for the 2019-2023 period. The research population includes all health sector companies listed on the Indonesia Stock Exchange for the 2019 - 2023 period. The sample was determined using purposive sampling. The analysis techniques used in this research are descriptive analysis, classical assumption testing, and hypothesis testing using a linear regression model. The research results show that (1) Profitability has a significant effect on Company Value. This is proven by the calculated t value being greater than the t table value (5,494 > 1,667) and a significance value of (sig) (0.000 < 0.05). (2) Debt Policy does not have a significant influence on Company Value. This is shown by the calculated t value < t table, namely (0.256 < 1.667) and the significance value (sig) (0.798 > 0.05). (3) Profitability and Debt Policy simultaneously have a significant effect on Company Value. This is shown by the calculated F value > F table, namely (19.035 > 3.13) and the significance value (sig) (0.000 < 0.05). Profitability as proxied by ROI and debt policy as proxied by DAR have an influence of 34.3% on company value as proxied by PBV.

Keywords: *Profitability, Debt Policy, Company Value*

Corresponding Author:
Soni Okabrian
(soni.okabrian@fe.unsika.ac.id)

Received: May 30, 2024
Revised: June 20, 2024
Accepted: June 28, 2024
Published: July 13, 2024

1. INTRODUCTION

COVID 19 phenomenon, based on the type of health company, is one of the few companies that managed to record positive growth during the pandemic (Prasetya, 2021). The healthcare sector, along with the chemical and traditional medicine industries, experienced significant growth and expansion due to a substantial surge in demand for medicines and health supplements during the pandemic. This surge in demand catalyzed advancements in research, production, and distribution within these industries, resulting in notable economic and technological progress (Harahap et al., 2021). The market increase in health companies can be responded to strategically to increase company value from the perspective of shareholders and potential investors. By taking advantage of market growth opportunities, companies can expand their market share through product and service innovation, geographic expansion, and strategic partnerships. These steps not only increased the company's revenue and profits but also strengthened its position in the market.

Improving company performance to increase company value can be reflected in the profitability value (Windyana et al., 2021). Robust profits signal strong income performance, significantly bolstering the company's overall valuation. Shareholders and potential investors typically well respond to such indicators of financial health, fostering confidence and propelling the company's growth trajectory. Therefore, when calculating financial performance, several essential factors must be examined to assess whether the company has the potential to deliver greater profits (Amelia & Purnama, 2023). These factors include revenue growth, which indicates the company's ability to increase sales over time, and profit margins, which reveal the efficiency of its operations in converting revenue into actual profit. Operational efficiency and cost management are crucial, as they demonstrate the company's proficiency in minimizing expenses while maximizing output.

The company strategically harnesses a diverse array of funding sources, meticulously combining external investments with internal resources to significantly enhance its overarching value proposition. This approach involves leveraging equity investments, debt financing, and venture capital to secure the necessary capital for expansion and innovation. Simultaneously, the company optimizes its internal resources, such as retained earnings and cash flow from operations, to fund ongoing projects and initiatives (Yuliana & Sulistiyowati, 2023). By blending these varied funding streams, the company ensures financial stability and flexibility, enabling it to pursue ambitious growth strategies and capitalize on emerging opportunities. This comprehensive funding strategy not only supports the company's current operations but also fuels research and development efforts, facilitates market expansion, and enhances competitive positioning (Sari et al., 2021). Ultimately, this methodical and diversified approach to financing amplifies the company's value proposition, driving sustainable growth and long-term success. The deliberate inclusion of external financing, notably through debt instruments, exerts a substantial impact on not only operational efficacy but also on the comprehensive valuation of the organization. The company value increases in proportion to the size of the debt policy implemented (Nasution, 2020).

2. METHODS

This research uses a quantitative approach by estimating 2 variables that have the potential to influence company values in health company which listed in IDX 2019-2023. The sample of health company is determined by purposive technique with 14 health companies. Data based on financial report are collected and analyzed to predict company values using 2 variables which are profitability and debt policy. To find out the influence profitability and debt policy on company values, Price to Book Value (PBV) used to measure the company values. Return on Assets (ROA) ratio used to measure the profitability and Debt to Assets (DAR) ratio used to measure debt policy.

PBV, ROA and DAR are calculated using the formula below:

$$PBV = \frac{Price\ per\ share}{Book\ value\ of\ share}$$

$$ROA = \frac{Net\ Incom}{Total\ Assets}$$

$$DAR = \frac{Total\ Liabilities}{Total\ Assets}$$

3. RESULTS AND DISCUSSION

Descriptive Analysis

Table 1. Descriptive Statistic

Variable	N	Min	Max	Average	Stdv
ROI	70	-0.2379	0.3099	0.0808	0.0885
DAR	70	0.0482	0.7927	0.3078	0.2042
PBV	70	0.1155	7.9367	2.4841	1.9858

Source: processed by researchers using SPSS, 2024

The N value is 70 as shown by the test results above. This means that the research data covers 70 or 14 companies from 2019 to 2023. This information was obtained from health company financial reports for 2019–2023. The standard deviation value is 0.080774, and the average return on investment (ROI) is 15.1410. ROI values range from -0.2379 to 0.3099. The debt to assets ratio has an average value of 0.307843, a standard deviation of 0.2042341, a minimum DAR value of 0.0482, and a maximum DAR value of 0.7927, which is determined from the results of data processing. The book price value has a minimum PBV value of 0.1155 and a maximum PBV value of 7.9367, with an average value of 2.484081 and a standard deviation value of 1.9858.

Classic assumption test

Table 2. Classic Assumption

Monte Carlo Sig. (2-tailed)			0.244
Statistik Kolinearitas	Toleransi	ROI	0.758
		DAR	0.758
	VIF	ROI	1.319
		DAR	1.319
Durbin-Watson			1.036
Glejser	ROI	Sig.	0.152
	DAR	Sig.	0.875

Source: processed by researchers using SPSS, 2024

Based on the results of the classical assumption test, it can be seen that the processed data shows that all tests are appropriate. The normality test describes the residual data as having a normal distribution, as seen in the Monte Carlo significance value of more than 0.05. The Multicollinearity Test shows that there is no relationship between the Profitability and Debt Policy variables as seen from the VIF value of less than 10 and the tolerance value of more than 0.1. The heteroscedasticity test shows that there is no inequality in the variance of the residuals for all observations in the regression model as seen in the significant value in the Glejser test which is greater than 0.05 for each independent variable. The autocorrelation test shows that there is no correlation in the residual value over time which is reflected in the Durbin Watson value of not less than -2 and not more than 2.

Regression Analysis

Linear regression analysis is used to predict the extent to which the dependent variable studied, namely Price Book Value (PBV), is influenced by two or more independent variables. Return on Investment (ROI) and Debt to Assets Ratio (DAR) are the independent variables used in this research. The following equation was used by researchers to investigate the impact of ROI and DAR on PBV:

$$Y = 1.282 + 0.616\,X1 + 0.029\,X2 + e$$

X1 : Return on Assets (Profitability)
X2 : Debt to Assets Ratio (Debt Policy)

Table 3. Regresi Linear

	t	Sig.	F	Sig.	R^2
ROI	5.494	0.000	19.035	0.000	0.362
DAR	0.256	0.798			

a. Dependent Variable: PBV

Source: processed by researchers using SPSS, 2024

The test results show a t-calculated value of 5.494 on the influence of the Profitability variable on Company Value. The calculated t value exceeds the critical t table value of 1.667, with a significance level of 5% and degrees of freedom (df) = (n-k) = 70 – 2 = 68. Furthermore, the significance value of 0.000 is less than 0.05. The t value and significance illustrate that the profitability variable has a significant influence on company value. The test results show a t-value of 0.256 on the influence of the Debt policy variable on Company Value. The calculated t value exceeds the critical t table value of 1.667, with a significance level of 5% and degrees of freedom (df) = (n-k) = 70 – 2 = 68. Furthermore, the significance value of 0.798 is more than 0.05. The t value and significance illustrate that the debt policy variable does not have a significant influence on company value. The F test depicts an F value of 19.035 and a significance of 0.000, which illustrates that there is a significant simultaneous influence of the profitability and debt policy variables on company value. The magnitude of the influence of profitability and debt policy on company value is 36.2%.

For investors, companies with high profitability are considered capable of managing the capital they own, including invested share capital. In other words, profitability also has the potential to increase company value. In the end, the value of a company that is able to provide prosperity for shareholders will be a positive signal. In accordance with signal theory, these positive signs to shareholders will increase demand for company shares, so that the value of the company also increases. Profitability itself is the company's ability to generate profits related to sales, total assets and own capital (Septyanto & Nugraha, 2021). This research shows that the level of debt policy does not have a direct effect on company value. If financial managers can manage debt effectively so that the benefits of using debt are greater than the interest costs, then the use of capital from debt can be a source of income (Herninta, 2019). To achieve an effective level of debt use, the company must have high profits, so that investors can expect the benefits of debt in the future. Therefore, investors will be more confident in investing their capital and have the ability to increase business value. Profitability and debt policy have a complex interaction in influencing company value. Simultaneously, these two factors can strengthen each other or even neutralize each other's impact on company value. Companies with high profitability and optimal debt policies tend to have higher firm value. This combination shows the company's ability to generate profits and manage debt risk well (Sukanti & Rahmawati, 2023).

4. CONCLUSION

Profitability has a significant effect on company value in health sector companies listed on IDX. In contrast to profitability, debt policy does not have a significant impact on the value of health companies. Profitability and debt policy simultaneously have a significant influence on company value in health companies. Healthy share owners should pay attention to financial data, especially investment thresholds related to the company's net worth (PBV) from year to year. This is because the company's net worth is influenced by the profitability threshold, thereby allowing the company to have better prospects and liquid assets. Measures an organization's ability to generate revenue, which in turn makes investors more willing to invest in the company and increase its value. In addition, companies must also be able to manage debt effectively through advance payments and processing. This will have an impact on the company's prospects in the future. The level of debt use must be balanced with high profits so that the benefits of debt will become the attention of investors as the company grows. A successful company work culture can increase investor confidence, thereby protecting company capital. Additionally, businesses must also be able to manage debt effectively through prepayment and processing. This will have an impact on the company's prospects in the future. The level of debt use must be balanced with high profits so that the benefits of debt will become the attention of investors as the company grows. A successful company work culture can increase investor confidence, thereby protecting company capital.

REFERENCES

Amelia, E., & Purnama, D. (2023). Profitabilitas, Likuiditas, Kebijakan Hutang dan Kebijakan Dividen Terhadap Manajemen Laba. *Review of Applied Accounting Research*, *3*(1), 100–111.

Harahap, L. R., Anggraini, R., & Effendy, R. Y. (2021). Analisis Rasio Keuangan Terhadap Kinerja Perusahaan PT Eastparc Hotel, Tbk (Masa Awal Pandemi Covid-19). *Competitive Jurnal Akuntansi Dan Keuangan*, *5*(1), 57–63. http://eastparc.co.id/investment/detail/1,

Herninta, T. (2019). Faktor-Faktor yang Mempengaruhi Kebijakan Hutang pada Perusahaan yang Terdaftar di BEI. *ESENSI: Jurnal Manajemen Bisnis*, *22*(2), 189–204.

Nasution, M. S. (2020). The Effect of Debt Policies on The Value of Banking Companies Listed in Indonesia Stock Exchange. *J-ISCAN: Journal Of Islamic Accounting Research*, *2*(1), 1–16.

Prasetya, V. (2021). Analisis Kinerja Keuangan Perusahaan Sebelum dan Saat Pandemi Covid 19 pada Perusahaan Farmasi yang Tercatat di Bursa Efek Indonesia. *Jurnal Ilmiah Indonesia*, *1*(5), 579–587. https://doi.org/10.36418/cerdika.v1i5.92

Sari, D. P., Suryani, W., & Sabrina, H. (2021). The Effect of Debt to Asset Ratio (DAR) and Debt to Equity Ratio (DER) on Financial Performance in Automotive Companies Listed on the Stock Exchange for the 2015-2018 Period. *Jurnal Ilmiah Manajemen Dan Bisnis (JIMBI)*, *2*(1), 72–80. https://doi.org/10.31289/jimbi.v2i1.484

Septyanto, D., & Nugraha, I. M. (2021). The Influence of Enterprise Risk Management, Leverage, Firm Size and Profitability on Firm Value in Property and Real Estate Companies Listed on the Indonesian Stock Exchange in 2016-2018. *International Conference on Entrepreneurship (ICOEN)*, 663–680. https://doi.org/10.18502/kss.v5i5.8850

Sukanti, A. T. W., & Rahmawati, M. I. (2023). Pengaruh Profitabilitas, Likuiditas dan Ukuran Perusahaan Terhadap Nilai Perusahaan. *JIAKu: Jurnal Ilmiah Akuntansi Dan Keuangan*, *2*(1), 49–62. https://doi.org/https://doi.org/10.24034/jiaku.v2i1.5742

Windyana, I. W., Wiksuana, I. G. B., Artini, L. G. S., & Sedana, I. B. P. (2021). Influence of financial architecture, intangible assets on financial performance and corporate value in the Indonesian capital market. *International Journal of Productivity and Performance Management*, *70*(7), 1837–1864. https://doi.org/10.1108/IJPPM-06-2019-0307

Yuliana, L. A., & Sulistiyowati, E. (2023). Pengaruh Kebijakan Dividen, Kebijakan Hutang, dan Ukuran Perusahaan Terhadap Kinerja Keuangan. *JIAKu: Jurnal Ilmiah Akuntansi Dan Keuangan*, *2*(2), 110–125. https://doi.org/https://doi.org/10.24034/jiaku.v2i2.5